

*In the opinion of Barnes & Thornburg LLP, Indianapolis, Indiana, Bond Counsel, under existing law, interest on the Bonds (as defined herein) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Bonds. This opinion is based on certain certifications, covenants, and representations of the Authority (as defined herein) and the Hospital (as defined herein) and is conditioned on the continued compliance therewith. In the opinion of Barnes & Thornburg LLP, under existing law, interest on the Bonds is exempt from income taxation in the State of Indiana for all purposes except for the State financial institutions tax. See "TAX EXEMPTION" and Appendix D herein.*

**\$30,000,000**

**INDIANA HEALTH AND EDUCATIONAL FACILITY FINANCING AUTHORITY  
ADJUSTABLE RATE HOSPITAL REVENUE BONDS, SERIES 2005  
(HARRISON COUNTY HOSPITAL PROJECT)**

PRICE.....	100%
DATED .....	Date of Issuance
MATURITY .....	October 1, 2032
CUSIP.....	45479R AD9
ISSUANCE .....	The Indiana Health and Educational Facility Financing Authority (the "Authority") will issue \$30,000,000 aggregate principal amount of its Adjustable Rate Hospital Revenue Bonds, Series 2005 (Harrison County Hospital Project) (the "Bonds") through a book-entry system under an Indenture of Trust and Pledge dated as of November 1, 2005 between the Authority and J.P. Morgan Trust Company, National Association, as trustee.
INTEREST .....	The Bonds, as initially issued will bear interest at a Daily Rate, but may be converted to a Weekly Rate, a Flexible Rate or Fixed Rate. Each interest rate Mode has different operating features. See " <i>The Bonds - Modes of Operation</i> " herein. Interest on each Bond is payable from and including the date of delivery of such Bond. The Bonds will bear interest at an interest rate set each Business Day for Bonds in a Daily Mode, set weekly for Bonds in a Weekly Mode, set at the beginning of each Rate Period for a Flexible Mode or a Fixed Mode. Interest is payable monthly on the first Business Day of each month for Bonds in a Daily Mode or Weekly Mode.
DENOMINATIONS .....	The Bonds in a Daily Mode or Weekly Mode will be issued in authorized denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof. Bonds in a Flexible Mode or Fixed Mode may be issued in authorized denominations of \$5,000 and any integral multiple thereof.
TENDER FOR PURCHASE .....	The Bonds operating in a Daily Mode or Weekly Mode will be purchased upon the demand of the owner thereof upon written notice as discussed herein. See " <i>The Bonds - Purchase of Bonds</i> " herein. The Bonds are also subject to mandatory tender under certain circumstances. See " <i>The Bonds - Purchase of Bonds</i> " herein.
REDEMPTION .....	The Bonds are subject to optional and mandatory redemption prior to maturity under certain circumstances. See " <i>The Bonds - Redemption</i> " herein.
INITIAL CREDIT FACILITY .....	The Board of Trustees of Harrison County Hospital (the "Hospital") has agreed to cause to be provided an irrevocable direct pay letter of credit (the "Initial Credit Facility") to (1) pay when due the principal of and up to 45 days' interest on the Bonds at a maximum rate of 12%, and (2) purchase the Bonds that are tendered and not remarketed on any optional tender date or mandatory tender date at a Purchase Price equal to the principal amount on the Bonds to be purchased plus accrued interest, if any. <b>JPMORGAN CHASE BANK, N.A.</b> (the "Letter of Credit Bank") has agreed to provide the Initial Credit Facility, with an initial expiration date of October 31, 2010. The Hospital may substitute a letter of credit issued by another financial institution for the Initial Credit Facility. See " <i>Credit Facility and Liquidity Facility</i> " herein.
USE OF THIS OFFICIAL STATEMENT .....	<b>This Official Statement should not be relied upon in determining whether to purchase Bonds other than those in the Daily Mode or Weekly Mode. If the Bonds are converted to an Interest Mode other than the Daily Mode or Weekly Mode, the Hospital will supplement this Official Statement to describe the new Interest Mode.</b>
PROJECT .....	The Authority will lend the proceeds of the Bonds to the Hospital, which together with certain equity contributions will be used to (1) finance, or reimburse the Hospital for costs relating to acquisition, construction and equipping a replacement hospital facility (collectively, the "Replacement Project"), (2) fund interest on the Bonds through October 1, 2007, and (3) pay various costs of issuing and selling the Bonds, including credit enhancement. See " <i>Plan of Financing</i> " herein.
RELIANCE ON INITIAL CREDIT FACILITY .....	<b>The Bonds are offered on the basis of the Initial Credit Facility and not on the basis of the credit of the Hospital. Therefore, there is limited description of the Hospital contained herein and no information with respect to the financial statements is included herein. Potential investors should base their investment decisions with respect to the Bonds solely upon the credit of the Letter of Credit Bank.</b>
LIMITED OBLIGATION.	THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE NOT A DEBT OR LIABILITY OF THE AUTHORITY, HARRISON COUNTY, THE STATE OF INDIANA OR ANY POLITICAL SUBDIVISION THEREOF OR A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY, THE STATE OF INDIANA, HARRISON COUNTY, OR ANY POLITICAL SUBDIVISION THEREOF. THE BONDS DO NOT GRANT TO THE OWNERS OR HOLDERS THEREOF ANY RIGHT TO HAVE THE AUTHORITY, HARRISON COUNTY, THE STATE OF INDIANA OR ANY POLITICAL SUBDIVISION THEREOF LEVY ANY TAXES OR APPROPRIATE FUNDS FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR PREMIUM, IF ANY, OR INTEREST THEREON. THE SOURCE OF PAYMENT AND SECURITY FOR THE BONDS IS MORE FULLY DESCRIBED HEREIN. THE AUTHORITY HAS NO TAXING POWER.
UNDERWRITING.....	The Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, to withdrawal or modifications of the offer without any notice, and to the approval of legality of the Bonds by Barnes & Thornburg LLP, Bond Counsel. Certain legal matters will be passed upon for the Authority by the Attorney General of the State of Indiana, as its counsel, for the Hospital by its counsel, Hall, Render, Killian, Heath & Lyman P.S.C., Indianapolis, Indiana, for the Letter of Credit Bank by its counsel, Stites & Harbison PLLC, Louisville, Kentucky, and for the Underwriters by their counsel, Ice Miller, Indianapolis, Indiana. For details of the Underwriters' compensation see " <i>Underwriting</i> " herein. It is expected that the Bonds will be available for delivery via The Depository Trust Corporation, New York, New York on or about November 10, 2005.

**PIPER JAFFRAY & CO.**

**CITY SECURITIES CORPORATION**

THE DATE OF THIS OFFICIAL STATEMENT IS NOVEMBER 7, 2005

<sup>+</sup> For an explanation of the rating, see "*Description of Rating*" herein.

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## REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, sales representative or other person has been authorized by the Authority, the Hospital, Piper Jaffray & Co. or City Securities Corporation (the "Underwriters") or the Letter of Credit Bank to give information or to make any representations with respect to the Bonds except as expressly set forth in this Official Statement, and, if given or made, any such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Certain information contained herein has been obtained from the Hospital, The Depository Trust Company, the Letter of Credit Bank and other sources which are believed to be reliable, but is not guaranteed as to adequacy, accuracy or completeness by, and is not to be construed to be the representations of, the Authority or the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change since the date hereof in the business affairs or financial condition of the parties referred to herein.

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### TABLE OF CONTENTS

	Page
INTRODUCTION .....	1
BONDHOLDERS' RISKS .....	3
PLAN OF FINANCING .....	6
ESTIMATED SOURCES AND USES OF FUNDS .....	7
THE BONDS .....	7
BOOK ENTRY ONLY SYSTEM .....	15
REMARKETING .....	18
INITIAL CREDIT FACILITY .....	19
CREDIT FACILITY AND LIQUIDITY FACILITY .....	20
REIMBURSEMENT AGREEMENT .....	24
THE AUTHORITY .....	25
ABSENCE OF MATERIAL LITIGATION .....	27
LEGAL MATTERS .....	27
TAX EXEMPTION .....	27
RATING .....	28
UNDERWRITING .....	29
NO CONTINUING DISCLOSURE .....	29
MISCELLANEOUS .....	29
 APPENDIX A – JPMORGAN CHASE BANK, N.A. ....	 A-1
APPENDIX B - SUMMARY OF BOND INDENTURE AND LOAN AGREEMENT .....	B-1
APPENDIX C - SUMMARY OF MASTER INDENTURE, SUPPLEMENTS AND MASTER MORTGAGE .....	C-1
APPENDIX D - FORM OF BOND COUNSEL OPINION .....	D-1

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In connection with this offering, the Underwriters may overallocate or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Bonds have not been registered under the Securities Act of 1933, as amended, and neither the Bond Indenture nor the Master Indenture have been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions contained in such federal laws. In making an investment decision, investors must rely upon their own examination of the Bonds and the security therefor, including an analysis of the risks involved. The Bonds have not been recommended by any federal or state securities commission or regulatory authority. The registration, qualification or exemption of the Bonds in accordance with applicable provisions of securities laws of the various jurisdictions in which the Bonds have been registered, qualified or exempted cannot be regarded as a recommendation thereof. Neither such jurisdictions nor any of their agencies have passed upon the merits of the Bonds or the adequacy, accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

### **CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT**

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements". Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NEITHER THE HOSPITAL NOR THE LETTER OF CREDIT BANK PLANS TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

The CUSIP number is included in this Official Statement for the convenience of the owners and potential owners of the Bonds. No assurance can be given that the CUSIP number for the Bonds will remain the same after the date of issuance and delivery of the Bonds.

## **OFFICIAL STATEMENT**

**\$30,000,000**

### **INDIANA HEALTH AND EDUCATIONAL FACILITY FINANCING AUTHORITY ADJUSTABLE RATE HOSPITAL REVENUE BONDS, SERIES 2005 (HARRISON COUNTY HOSPITAL PROJECT)**

## **INTRODUCTION**

### **Purpose of Official Statement**

This Official Statement, including the cover page and Appendices, is furnished in connection with the offering of \$30,000,000 in aggregate principal amount of Adjustable Rate Hospital Revenue Bonds, Series 2005 (Harrison County Hospital Project) (the "Bonds") of the Indiana Health and Educational Facility Financing Authority (the "Authority"). The Bonds are being issued by the Authority in accordance with the provisions of Indiana Code 5-1-16 (as amended from time to time, the "Act"). The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of its terms and conditions. All statements herein are qualified in their entirety by reference to each document. Certain capitalized terms used herein and not otherwise defined shall have the meanings set forth in APPENDICES B and C hereto.

### **Identification of Principal Parties and Legal Documents**

The Bonds are being issued under the terms of an Indenture of Trust and Pledge dated as of November 1, 2005 (the "Bond Indenture") between the Authority and J.P. Morgan Trust Company, National Association, as bond trustee (the "Bond Trustee"). The proceeds from the sale of the Bonds will be loaned by the Authority to The Board of Trustees of Harrison County Hospital (the "Hospital"), pursuant to a Loan Agreement dated as of November 1, 2005 (the "Loan Agreement"). The Hospital intends to use the proceeds of the Bonds, together with equity contributions from Harrison County and the Harrison County Community Foundation, Inc., to finance or reimburse the costs relating to the construction and equipping of an approximately 50 bed replacement hospital (the "Replacement Project"), to fund interest on the Bonds through October 1, 2007 and to pay certain costs associated with issuing the Bonds, including credit enhancement.

The Hospital operates Harrison County Hospital (the "Facility"), a 47 (staffed) bed hospital in Corydon, Indiana.

The Hospital is currently the sole member of the obligated group (the "Obligated Group") established pursuant to a Master Trust Indenture dated as of November 1, 2005 (the "Master Trust Indenture") as supplemented and amended by a Series 2005-1 Supplemental Master Indenture dated as of November 1, 2005 (the "2005-1 Supplemental Indenture") between Hospital and J.P. Morgan Trust Company, National Association, as master trustee (the "Master Trustee"), a Series 2005-2 Supplemental Master Indenture dated as of November 1, 2005 (the "2005-2 Supplemental Indenture") and a Series 2005-3 Supplemental Master Indenture dated as of November 1, 2005 (the "2005-3 Supplemental Indenture") between the Hospital and the Master Trustee dated as of November 1, 2005 (collectively, the "Master Indenture"). Any future

members of the Obligated Group, along with the Hospital will be jointly and severally liable for the guaranty of principal and interest on all Master Notes (as defined below) issued under the Master Indenture. Although there are no current plans to add members to the Obligated Group, the Master Indenture permits other entities to become members of the Obligated Group under certain circumstances. See "*Summary of Certain Provisions of the Master Indenture - The Obligated Group*" in APPENDIX C.

To evidence its obligation to repay the loan, the Hospital will issue its Series 2005-1 Master Note (the "Series 2005-1 Master Note") providing for payments sufficient to pay when due the principal of, premium, if any, and interest on the Bonds. The Series 2005-1 Master Note will be issued pursuant to the Master Trust Indenture, as supplemented by the 2005-1 Supplemental Indenture. The Authority will pledge and assign the Series 2005-1 Master Note and certain of its rights under the Loan Agreement to the Bond Trustee as security for the Bonds.

Subject to the conditions set forth in the Master Indenture, promissory notes may be issued under the Master Indenture from time to time by the Obligated Group (such notes are referred to herein as the "Master Notes"). See "*Summary of Certain Provisions of the Master Indenture*" in APPENDIX C. All Master Notes issued under the Master Indenture will be equally and ratably secured by the Master Indenture. As security for the payment of the Master Notes, the Obligated Group has granted to the Master Trustee a security interest in all the Obligated Group's rents, revenues, income and receipts, including all right, title and interest in and to all moneys, earnings, receivables, whether now owned or hereafter acquired, subject to certain exceptions (the "Gross Revenues"). For a more detailed description of the security for the Bonds, see "*Security for the Bonds*" herein.

Concurrently with the delivery of the Bonds, the Hospital will cause to be provided an irrevocable direct pay letter of credit in favor of the Bond Trustee to secure payment of principal of, and up to 45 days' interest on, and the Purchase Price of, the Bonds (the "Initial Credit Facility"). The Initial Credit Facility constitutes a Credit Facility and a Liquidity Facility under the Bond Indenture. See "*Credit Facility and Liquidity Facility*" herein. JPMorgan Chase Bank, N.A. (the "Letter of Credit Bank") has agreed to provide the Initial Credit Facility. See "*Initial Credit Facility*" herein. The Hospital's obligation to repay the Letter of Credit Bank for drawings on the Initial Credit Facility is evidenced in part by its Series 2005-2 Master Note (the "Series 2005-2 Master Note," and together with the Series 2005-1 Note and the Swap Note (as hereinafter defined), the "Series 2005 Notes") issued under the Master Trust Indenture as supplemented by the 2005-2 Supplemental Indenture. Under the terms of the Bond Indenture and the 2005-1 Supplemental Indenture, the owners of the Bonds have delegated to the Letter of Credit Bank, as holder of the Series 2005-2 Master Note, certain rights of the holders of the 2005-1 Master Note. See "*Summary of Certain Provisions of the Supplemental Indentures*" in APPENDIX C.

## **Purpose of the Bonds**

The proceeds of the Bonds, together with certain equity contributions, will be used to (i) construct, acquire and equip the Replacement Project, (ii) fund interest on the Bonds through October 1, 2007 and (iii) pay costs of issuing the Bonds, including credit enhancement. See "*Plan of Financing*" and "*Estimated Sources and Uses of Funds*" herein.

## **Security for the Bonds**

The Bonds are special and limited obligations of the Authority, payable solely from and secured exclusively by the revenue and other amounts pledged thereto under the Bond Indenture, including (a) certain payments to be made by the Hospital under the Loan Agreement (b) certain payments to be made by the Hospital and any other members of the Obligated Group under the Series 2005-1 Master Note to be issued by the Hospital to the Authority, and (c) any proceeds received by the Bond Trustee from any draw on (i) any letter of credit, bond insurance policy, bond purchase agreement or other similar credit facility provided pursuant to the Bond Indenture supporting payment of principal of and interest on the Bonds (a "Credit Facility") or (ii) any standby purchase and credit agreement, letter of credit, bond purchase agreement or other similar agreement provided pursuant to the Bond Indenture and providing for the provision of sufficient monies to pay the purchase price of any Bonds on any tender date (a "Liquidity Facility").

The Hospital will enter into a Letter of Credit and Reimbursement Agreement dated as of November 1, 2005 (the "Reimbursement Agreement") with the Letter of Credit Bank. See "*Reimbursement Agreement*" herein. Pursuant to the Reimbursement Agreement, the Letter of Credit Bank will issue and deliver to the Bond Trustee the Initial Credit Facility with respect to the Bonds. For so long as the Bonds are in the Daily Mode or Weekly Mode the Initial Credit Facility will have a stated amount equal to the sum of the aggregate outstanding principal on the Bonds and 45 days' interest on the Bonds at the maximum annual interest rate of 12%. The Letter of Credit Bank has issued a commitment to issue the Initial Credit Facility based upon Bond issuance of \$30,000,000 aggregate principal amount. For so long as the Bonds are in the Daily Mode, Weekly Mode or the Flexible Mode with a Rate Period of 366 days or less, a letter of credit meeting the requirements of the Bond Indenture is required to be in effect. The Initial Credit Facility expires October 31, 2010, or at such earlier date described therein, and may be terminated or replaced by a substitute letter of credit as described herein. See *APPENDIX A for a description of JPMorgan Chase Bank, National Association*.

The Bonds are offered for sale on the basis of the Initial Credit Facility and not on the basis of the financial strength of the Hospital or any collateral security provided by the Hospital. Potential investors should base their investment decisions with respect to the Bonds solely upon the credit of the Letter of Credit Bank.

## **County Not Liable on the Series 2005 Notes**

The obligations of the Hospital under the Loan Agreement, the Series 2005-1 Master Note, the Series 2005-2 Master Note, the Swap Note and the Master Indenture are limited obligations of the Hospital payable solely from the Gross Revenues of the Hospital. Such obligations shall not constitute a pledge of the faith and credit of Harrison County or an indebtedness or charge against the general credit or taxing powers of Harrison County within the meaning of any constitutional or statutory provision.

## **BONDHOLDERS' RISKS**

The following discussion of risk factors is not complete and should be read in conjunction with all other parts of this Official Statement.

## **General**

The Bonds are special limited obligations of the Authority secured by and payable from payments to be made by the Hospital under the Series 2005-1 Master Note and the Loan Agreement. There is no assurance that the Hospital will generate sufficient revenues to make the required payments. The capabilities of the Hospital's management, future legislation, regulatory actions, economic conditions, competition, changes in the demand for services, and other factors and conditions which are unpredictable could materially and adversely affect the ability of the Hospital to meet its obligations. ***The Bonds are offered for sale on the basis of the Initial Credit Facility and not on the basis of the financial strength of the Hospital or any collateral security provided by the Hospital.***

### **Initial Credit Facility**

The ability of the Letter of Credit Bank to honor drawings on the Initial Credit Facility will be based solely on the Letter of Credit Bank's general credit. There can be no assurance that the credit strength of the Letter of Credit Bank will be maintained. A decline in the credit rating of the Letter of Credit Bank could result in a decline in the rating assigned to the Bonds. The Bond Trustee may not assert a claim for federal deposit insurance against the Federal Deposit Insurance Corporation in respect of the Bonds or the Initial Credit Facility.

### **Liquidity for Optional Purchase on Purchase Date and Mandatory Purchase**

The Bond Indenture permits Bondholders of the Bonds, while in the Daily Mode or Weekly Mode, to tender their Bonds on any Purchase Date for purchase at a price of 100% of the principal amount thereof plus accrued interest. The Bond Indenture also requires the Bondholders of the Bonds to tender, and the Hospital to purchase, all the outstanding Bonds on any mandatory purchase date at a price of 100% of the principal amount thereof plus accrued interest.

Although Piper Jaffray & Co. (or any successor remarketing agent) (the "Remarketing Agent") will attempt to remarket all the Bonds so tendered or required to be tendered at a price of par plus accrued interest to the date of purchase, there is no assurance that all the Bonds will be successfully remarketed. The Hospital is obligated to purchase with its own funds those Bonds tendered on Purchase Date, or required on a mandatory purchase date, and not successfully remarketed. During the Daily Mode and Weekly Mode the Hospital has provided for the Initial Credit Facility which is available to be drawn upon by the Bond Trustee to pay the Purchase Price. The ability of the Letter of Credit Bank to honor drawings on the Initial Credit Facility will be based solely on the Letter of Credit Bank's general credit.

### **Certain Matters Relating to Security for the Bonds**

Enforceability of the Initial Credit Facility. The United States District Court for the District of Arizona, in Wysko Investment Co. v. Great American Bank, 131 B.R. 146 (1991) (the "Opinion"), affirmed a bankruptcy court's earlier order enjoining the payment of a letter of credit based on the equitable powers granted to the bankruptcy court under Section 105 of the United States Bankruptcy Code. The Opinion and other court decisions discussing the enforceability of letters of credit indicate that it is possible that a court could temporarily enjoin a drawing by the



Bond Trustee under the Initial Credit Facility or the payment by the Bond Trustee to holders of Bonds of amounts drawn under the Initial Credit Facility under various circumstances, including the bankruptcy, insolvency or similar event with respect to the Hospital.

Amendments to the Bond Indenture and Loan Agreement. Certain amendments to the Bond Indenture and the Loan Agreement may be made with the consent of the holders of a majority of the aggregate principal amount of the Bonds then Outstanding, and upon prior written consent of the Credit Enhancer then providing a Credit Facility for the Bonds, if either or both are providing a liquidity facility or credit facility, with respect to the Bonds and are not in default under the bank agreements or credit documents. Such amendments may adversely affect the security of the holders of the Bonds. Additionally, certain amendments may be made without the consent of the Bondholders, as provided in the Bond Indenture and Loan Agreement.

## **Legal Risks**

The remedies available to the Bondholders upon a default under the Bond Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies provided in the Bond Indenture and the Loan Agreement may not be readily available or may be limited.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions on the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment or of the transaction opined upon, or of the future performance of parties to such transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency, or other similar laws affecting the rights of creditors generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

As described more fully in the Section herein entitled "*Tax Exemption*," the Hospital or Authority's failure to comply with certain legal requirements may cause interest on the Bonds to become subject to federal income taxation, either from the date of the happening of certain events or retroactive to the date of issuance of the Bonds.

## **Additional Debt; Dilution**

The Master Indenture permits the issuance of additional Master Notes on a parity with the Series 2005-1 Master Note, the Series 2005-2 Master Note and the Swap Note and also permits the incurrence of other indebtedness and guarantees of indebtedness by the members of the Obligated Group. See "*Summary of Certain Provisions of the Master Indenture – Permitted Additional Indebtedness*" in APPENDIX C. The incurrence of additional indebtedness and guarantees would increase debt service requirements and could materially and adversely affect debt service coverage on the Bonds, and, in the case of the issuance of additional Master Notes,

could dilute the collateral security and voting rights of the Noteholders under the Master Indenture.

The Hospital will issue its Series 2005-3 Note (the “Swap Note”) which requires joint and several payments by the members of the Obligated Group to Piper Jaffray Financial Products Inc. (the “Swap Provider”), pursuant to an ISDA Master Agreement, together with schedules and confirmations thereto, between the Hospital and the Swap Provider (the “2005 Master Agreement”). The Swap Note, will rank on a parity with the Series 2005-1 Master Note and the Series 2005-2 Master Note. The Swap Provider currently maintains ratings of “Aa3” from Moody’s and “A+” from S&P.

In addition, under the terms of the Bond Indenture and 2005-1 Supplemental Indenture, the owners of the Bonds have delegated to the Letter of Credit Bank, as holder of the Series 2005-2 Master Note, certain rights of the holders of the Series 2005-1 Master Note. See *"Summary of Certain Provisions of the Supplemental Master Indentures"* in APPENDIX C.

### **Rating**

There is no assurance that the rating assigned to the Bonds at the time of issuance will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price and marketability of the Bonds.

### **Interest Rate Swap**

The Hospital has entered into the 2005 Master Agreement with the Swap Provider to hedge the Obligated Group’s interest rate exposure on a portion of the Series 2005A-1 Master Note. The 2005 Master Agreement will provide that the Obligated Group will pay to the Swap Provider fixed amounts based on a fixed rate and that the Swap Provider will pay to the Obligated Group floating amounts based on a variable rate, with reference to a notional amount equal to all or a portion of the principal amount of the Bonds.

## **PLAN OF FINANCING**

The Replacement Project consists of constructing, acquiring, improving and equipping of a new 50-bed replacement hospital. It is anticipated that Harrison County will contribute \$12,000,000 of equity and the Harrison County Community Foundation will contribute \$5,000,000 of equity which, together with Bond proceeds, will be used to finance a portion of the Replacement Project. A portion of the proceeds of the Bonds will be used to fund interest during construction.

## ESTIMATED SOURCES AND USES OF FUNDS

Set forth below is a summary of the estimated sources and uses of funds related to the Bonds:

Sources:

Principal Amount of the Bonds	\$30,000,000
Equity Contribution from Harrison County and Harrison County Community Foundation, Inc.	17,000,000
Earnings on Project Fund and Equity Contributions	<u>1,526,000</u>
Total Sources	<u>\$48,526,000</u>

Uses:

Refinancing Outstanding Debt <sup>(1)</sup>	\$650,000
Costs of Project <sup>(2)</sup>	44,971,000
Issuance Expenses <sup>(3)</sup>	501,000
Capitalized Interest	<u>2,404,000</u>
Total Uses	<u>\$48,526,000</u>

(1) The refinancing will be paid out of equity contributions.

(2) Included in this amount are certain consulting fees, architectural fees and contingencies.

(3) Included in this amount are the estimated fees and expenses of the Underwriters, Underwriters' Counsel, Bond Counsel, Counsel to the Hospital, the Authority, the Bond Trustee, the Master Trustee, the cost of printing the Official Statement, rating agency fees, Initial Credit Facility Fees and other miscellaneous costs incurred in connection with the issuance of the Bonds.

## THE BONDS

The following is a summary of certain provisions of the Bonds. Reference is made to the Bond Indenture and to the summary of the Bond Indenture included in *APPENDIX B* hereto for a more complete description of the Bonds. Reference is also made to *APPENDIX B* and *APPENDIX C* for the definitions of certain terms used hereinafter. The discussion herein is qualified in all respects by such references.

So long as The Depository Trust Company ("DTC") acts as securities depository for the Bonds, as described under the caption "*Book-Entry Only System*" herein, all references herein to "Bondholder" or "Bondholders" are deemed to be Cede & Co., as nominee for DTC, and not to DTC Participants, Indirect Participants or Beneficial Owners, as hereinafter defined.

### General Description of the Bonds

The Bonds will be dated the date of their original issuance and will mature on October 1, 2032. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, principal of, premium, if any, and interest on the Bonds will be paid as described herein

under the caption "*Book-Entry Only System*." The following information is subject in its entirety to the provisions described below under the caption "*Book-Entry Only System*."

The principal of and premium, if any, on the Bonds bearing interest at a Daily Rate or a Weekly Rate will be payable upon the presentation and surrender thereof at the Principal Office of the Bond Trustee in Dallas, Texas. The payment of principal on the Bonds shall be made to any owner of \$1,000,000 or more in aggregate principal amount of Bonds by wire transfer to such owner on the principal payment date for said Bonds upon written notice from such owner containing the wire transfer address within the continental United States to which such owner wishes to have such wire directed, which written notice is received not later than the business day next preceding the 15th day prior to the principal payment date applicable to the Bonds, provided that such wire transfer shall only be made upon presentation and surrender of the Bonds at the Principal Office of the Bond Trustee on the principal payment date.

The payment of interest on the Bonds bearing interest at a Daily Rate or a Weekly Rate is payable by a check mailed on the applicable Interest Payment Date to the registered owner thereof as of the close of business of the Bond Trustee on the Record Date immediately preceding such Interest Payment Date at the address of such registered owner as it appears on the Bond Register or at such other address as is furnished to the Bond Trustee not later than the Record Date. Payment of interest on the Bonds shall be made to any owner of \$1,000,000 or more in aggregate principal amount of Bonds by wire transfer on an Interest Payment Date upon written notice from such owner containing the wire transfer address within the continental United States, which written notice is received not later than the Business Day next preceding the Record Date.

The Bonds, while bearing interest at a Daily or Weekly Rate, will be available only in fully registered form, in denominations of \$100,000 and \$5,000 multiples in excess thereof. The person in whose name the Bond is registered will be deemed and regarded as the absolute owner thereof for all purposes and payment of the principal of, premium, if any, or interest on any Bond will be made only to or upon the written order of the registered owner thereof, or such owner's legal representative.

If the Bonds are no longer in the book-entry system, the purchase price of the Bonds upon optional or mandatory tender will be payable upon the presentation and surrender thereof at the Principal Office of the Bond Trustee. See "*Book-Entry Only System*" herein for information relating to presentation of the Bonds tendered for purchase while the Bonds are in the book-entry system.

## **Modes of Operation**

### *General*

Pursuant to the Bond Indenture, the Bonds may operate in one of four Interest Modes of operation, provided that the requirements, certain of which are described below, of the Bond Indenture for converting from one Interest Mode to another Interest Mode have been satisfied. The four Interest Modes of operation are the Daily Mode, the Weekly Mode, the Flexible Mode and the Fixed Mode. Bonds may operate in only one Interest Mode at any given time. All

Bonds in the Daily Mode shall bear interest at the same interest rate and all Bonds in the Weekly Mode shall bear interest at the same interest rate. Bonds operating in the Flexible Mode may bear interest at different rates for different Rate Periods with different Adjustment Dates. Generally, the Interest Modes have different operating features, including different demand features, purchase features, redemption provisions, interest rate determination dates, rate change dates and interest payment dates.

Upon the issuance and delivery of the Bonds, the Bonds will operate in the Daily Mode. Thereafter, the Hospital may designate a subsequent Interest Mode for the Bonds provided the requirements of the Bond Indenture for changing Interest Modes are satisfied.

If the Hospital elects to adjust the Bonds to an alternate Interest Mode, upon the satisfaction of certain conditions precedent, all of the Bonds will be subject to such alternate Interest Mode. The written direction by which the Hospital makes such election is required to specify:

- (i) the first day of such new Interest Mode, which must be (A) an Interest Payment Date for interest accrued during any Daily Mode, Weekly Mode or Flexible Mode then in effect, and (B) if the Interest Mode then in effect is a Flexible Mode and the Rate Period then in effect ends prior to such first day, the first Business Day of any month;
- (ii) that the Hospital has determined that, effective on such day, a Daily Mode, Weekly Mode, Flexible Mode or Fixed Mode, as the case may be, will take effect; and
- (iii) if such Interest Mode is a Flexible Mode, either the duration of the initial Rate Period thereof or that such duration will be established by the Rate-Setting Agent pursuant to the Bond Indenture.

The Interest Mode or Rate Period will be converted on the day specified in such written request of the Hospital to such Interest Mode or Rate Period, unless the Bond Trustee, the Tender Agent and the Paying Agent have received, prior to the mailing of notice thereof to the Bondholders, a written request of the Hospital electing not to effect such conversion.

The Bond Trustee is required to give notice to the Tender Agent, the Paying Agent, the Bond Registrar and each Bondholder, accompanied by a copy of the initial Opinion of Counsel (defined below) given in connection with the establishment of such Interest Mode, of any adjustment to a new Interest Mode not less than 30 days prior to the effective date of such new Interest Mode. Such notice will state (i) that the interest rate on the Bonds will be converted to a Daily Mode, Weekly Mode, Flexible Mode or Fixed Mode, as the case may be, (ii) the effective date of such Interest Mode, (iii) that the Bonds are subject to mandatory tender for purchase on such effective date of the new Interest Mode and the applicable purchase price on such date and the procedures for such purchase, and (iv) that the credit rating then assigned to the Bonds may change or be withdrawn or, if known, the credit ratings assigned to the Bonds for such Interest Mode, and (v) other information required under the Bond Indenture.

No change to any Interest Mode for the Bonds will be made as described above, unless:

(i) The Hospital request is accompanied by, and in addition there is delivered to the Bond Trustee on the first day of such Interest Mode, a written Opinion of Counsel who is not unsatisfactory to the Bond Trustee and the Authority and, when given with respect to the status of interest on any Bond under federal income tax law, is counsel of nationally recognized standing in the field of municipal bond law and, when given with respect to any matter under the United States Bankruptcy Code, is counsel of nationally recognized standing in the field of bankruptcy law (an "Opinion of Counsel"), to the effect that such change in the Interest Mode for the Bonds will not adversely affect the exclusion of interest on any Bond from the gross income of the owner thereof for federal income tax purposes and is authorized by applicable State law;

(ii) if the Interest Mode to become effective is a Flexible Mode, the duration of the first Rate Period thereof is in accordance with the provisions of the Bond Indenture;

(iii) all Bonds are converted into the same Interest Mode;

(iv) if the Interest Mode to become effective with respect to the Bonds is the Fixed Mode, the proceeds of a remarketing under the Bond Indenture will be sufficient to pay in full the purchase price of all Bonds; and

(v) if a Credit Facility or Liquidity Facility will be provided for the Interest Mode to become effective, the Hospital provides the Bond Trustee evidence that the stated amounts of the Credit Facility and Liquidity Facility meet the requirements of the Bond Indenture.

If, after notice of such adjustment has been mailed to the owners of the Bonds as provided in the Bond Indenture, any condition precedent to such adjustment has not been satisfied, the Bonds will continue to be subject to mandatory tender for purchase on the date which would have been the effective date of such adjustment but will continue to bear interest from such mandatory tender date in the Interest Mode applicable to the Bonds immediately prior to such mandatory tender.

### **Determination of Interest Rates**

If for any reason no Rate-Setting Agent has been appointed under the Bond Indenture on any Rate Determination Date, the Rate-Setting Agent fails to determine the Market Rate on such Rate Determination Date or any Market Rate determined by the Rate-Setting Agent on such Rate Determination Date is determined by a court of competent jurisdiction to be invalid or unenforceable, the Market Rate for such Rate Determination Date will be 110% of the "Tax-Exempt Prime Commercial Paper Rate (30 Days)" most recently published by *The Bond Buyer* or any successor publication. If such index ceases to be published, the most comparable published index designated by the Rate-Setting Agent for the Bonds (or if there is no Rate-Setting Agent for the Bonds, by the Remarketing Agent for the Bonds) shall be used for such Market Rate determination.

The Rate-Setting Agent will provide the rate of interest constituting the Daily Rate, Weekly Rate or Flexible Rate and the length of the Rate Period for Bonds in the Flexible Mode, and the Bond Trustee (or another Paying Agent, if any) will provide the rate of interest constituting the Fixed Rate, from time to time to each holder of Bonds who requests such information.

Upon the written request of a holder of a Bond in the Daily Mode or Weekly Mode, the Bond Trustee (or another Paying Agent, if any) will mail to such Bondholder a monthly statement, with respect to each Interest Payment Date, specifying the interest rates in effect since the preceding Interest Payment Date.

Each designation of an Interest Mode, each determination of the duration of a Rate Period and each determination of a Daily Rate, Weekly Rate, Flexible Rate or Fixed Rate made pursuant to the Bond Indenture will be conclusive and binding upon the Authority, the Bond Trustee, the Hospital, each Obligated Issuer, the Credit Enhancer, the Bank and the Bondholders, and neither the Hospital nor the Rate-Setting Agent will have any liability to any such person for any such determination, whether due to any error in judgment, failure to consider any information, opinion or other resource, or otherwise.

### **Daily Mode**

Bonds will bear interest during a Daily Mode at the Daily Rate. The Daily Rate will be the least of (a) 12% per annum, (b) the maximum rate of interest specified in the Liquidity Facility with respect to coverage for the interest component of the Purchase Price (initially 12% per annum), (c) the maximum rate of interest specified in the Credit Facility with respect to coverage for the payment of interest (initially 12% per annum), or (d) the minimum interest rate necessary to be borne by the Bonds for the relevant Rate Period to produce a bid for such Bonds on the related Rate Adjustment Date equal to 100% of the principal amount thereof plus interest, if any, accrued thereon from the most recent Interest Payment Date (the “Market Rate”), determined by the Rate-Setting Agent (initially, Piper Jaffray & Co.) by 8:30 a.m., Chicago, Illinois, time, on such day, or, if such day is not a business day for the Rate-Setting Agent, on the immediately preceding business day for the Rate-Setting Agent or, if there is no such business day in such Daily Mode, on the next succeeding such business day.

### **Weekly Mode**

Bonds will bear interest during a Weekly Mode at the Weekly Rate. The Weekly Rate will be the least of (a) 12% per annum, (b) the maximum rate of interest specified in the Liquidity Facility with respect to coverage for the interest component of the Purchase Price (initially 12% per annum), (c) the maximum rate of interest specified in the Credit Facility with respect to coverage for the payment of interest (initially 12% per annum), or (d) the minimum interest rate necessary to be borne by the Bonds for the relevant Rate Period to produce a bid for such Bonds on the related Rate Adjustment Date equal to 100% of the principal amount thereof plus interest, if any, accrued thereon from the most recent Interest Payment Date (the “Market Rate”), determined by the Rate-Setting Agent (initially, Piper Jaffray & Co.) by 2:00 p.m., Chicago, Illinois time, on the business day for the Rate-Setting Agent immediately preceding the commencement of such Weekly Mode and on each subsequent Wednesday (or, if such day is not

a business day for the Rate-Setting Agent, the next preceding such business day) during such Weekly Mode.

## **Purchase of Bonds**

**Optional Tender for Purchase During Daily Mode or Weekly Mode.** During any Daily Mode or Weekly Mode, any Bond will be purchased from the owner thereof at the option of such owner on any Business Day (a “Purchase Date”) at a price equal to 100% of the principal amount of such Bond plus interest, if any, accrued thereon from the most recent Interest Payment Date to but not including such Purchase Date (the “Purchase Price”), upon delivery by such owner to the Tender Agent at its Delivery Office of such Bond, endorsed in blank, and an irrevocable notice which states the principal amount of such Bond, the certificate number of such Bond and the date on which such Bond is to be purchased, which date must be (i) during any Daily Mode, any Business Day, and (ii) during any Weekly Mode, any Business Day at least seven days after the date of the delivery of such notice to the Tender Agent. Any such notice must be delivered by such Holder to the Tender Agent’s Notice Office (i) during any Daily Mode, By 11:00 a.m., Chicago, Illinois, time, on any Business Day, and (ii) during any Weekly Mode, by 11:00 a.m., Chicago, Illinois, time, on any Business Day which is at least seven days prior to such Purchase Date.

Any Bondholder which identifies itself as an investment company registered under the Investment Company Act of 1940, as amended, will be deemed to have satisfied such notice requirements if it delivers such notice to the Bond Trustee by the relevant time specified above.

**Mandatory Tender for Purchase.** The Bonds will be subject to mandatory tender for purchase at the Purchase Price:

- (i) On each Rate Adjustment Date during a Flexible Mode;
- (ii) On the first Business Day of each new Interest Mode designated by the Hospital and not withdrawn by the Hospital before the mailing of the notice thereof to Bondholders, whether or not such new Interest Mode is effected; or
- (iii) On the fifth Business Day prior to the expiration, replacement or release of the Credit Facility or Liquidity Facility.

**Purchase of Tendered Bonds.** The Tender Agent will apply amounts from the Purchase Fund upon receipt of immediately available funds prior to 4:00 p.m., Chicago, Illinois, time on each Purchase Date to pay the Purchase Price of any Bonds tendered from the following sources and in the following order of priority: (i) first, from immediately available proceeds of the remarketing of such Bonds (other than proceeds from remarketing to the Authority, the Hospital, an Obligated Issuer, any guarantor of the Bonds (excluding the Letter of Credit Bank) or any person who is an “insider” of any of the foregoing, within the meaning of the United States Bankruptcy Code) deposited to the Purchase Fund by 9:30 a.m., Chicago, Illinois, time, on the Purchase Date; (ii) second, from immediately available funds drawn under or derived from the Liquidity Facility by the Bond Trustee; and (iii) third, if sufficient amounts for the payment of the unpaid Purchase Price have not been deposited to the Purchase Fund by 3:30 p.m., Chicago,



Illinois, time, on the Purchase Date, from payments made by the Hospital pursuant to the Loan Agreement or the Series 2005-1 Master Note.

**Notice of Mandatory Tender.** The Bond Trustee will give notice to each holder of Bonds by mail, first class postage prepaid, for each Purchase Date for Bonds subject to mandatory tender as described above, not less than 30 days nor more than 60 days preceding such Purchase Date. Such notice will state: (i) the date of such Purchase Date; (ii) that each Bond not tendered for purchase by 11:00 a.m., Chicago, Illinois, time, on such Purchase Date will be deemed to have been tendered for purchase on such Purchase Date at the Purchase Price, and that, if due provision is made for such Purchase Price on such Purchase Date, such holder will not be entitled to any payment (including any interest accrued subsequent thereto) in respect of such Bond other than the Purchase Price for such Bond; (iii) to the extent applicable, that the Credit Facility or the Liquidity Facility, as the case may be, for Bonds then in effect will thereafter no longer be in effect, the expected rating of the Bonds on and after the Purchase Date, and any credit rating then assigned to the Bonds may be reduced or withdrawn; (iv) the time and place for the tender of such Bond and the then-current names and addresses of the Bond Trustee, the Tender Agent and the Remarketing Agent; and (v) if such mandatory tender is the result of a new Interest Mode (see “Mandatory Tender for Purchase”), information concerning such new Interest Mode.

**Untendered Bonds.** Any Bond (a) for which notice of tender on any Purchase Date is given, but which is not tendered for purchase by 11:00 a.m., Chicago, Illinois, time, on such Purchase Date, or (b) which is subject to mandatory tender for purchase, but which is not tendered for purchase by the specified time on the Purchase Date (an “Untendered Bond”), will, upon deposit in the Purchase Fund of an amount sufficient to pay the Purchase Price of such Bond on the Purchase Date, be deemed to have been tendered and sold on such Purchase Date, and thereafter the holder thereof will not be entitled to any payments (including any accrued interest subsequent to the Purchase Date) in respect thereof other than the Purchase Price for such Bond, and such Untendered Bond will no longer be entitled to the benefits of the Bond Indenture, except for the payment of the Purchase Price therefor.

## **Redemption**

On any Business Day (in the case of redemption of all Bonds, and otherwise on the first Business Day of each month), the Bonds bearing interest at a Daily Rate or Weekly Rate will be subject to optional redemption by the Authority, at the direction of the Hospital, in whole or in part, at a redemption price of 100% of the principal amount thereof, plus accrued interest, if any, to the redemption date. On the first day of any Rate Period during a Flexible Mode, on the first day of the Fixed Mode, or any date in the case of Bank Bonds, the Bonds will be subject to optional redemption by the Authority, at the direction of the Hospital, in whole or in part, at a redemption price of 100% of the principal amount thereof, plus accrued interest, if any, to the redemption date.

## **Source of Payment and Security for the Bonds**

*The Bonds are offered on the basis of the Initial Credit Facility and not on the basis of the credit of the Hospital or other members of the Obligated Group.*

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY AND WILL BE PAYABLE SOLELY FROM AND SECURED EXCLUSIVELY BY PAYMENTS, REVENUES AND OTHER AMOUNTS PLEDGED THERETO PURSUANT TO THE BOND INDENTURE. THE BONDS DO NOT REPRESENT OR CONSTITUTE A DEBT OF THE AUTHORITY, HARRISON COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE PROVISIONS OF THE CONSTITUTION OR STATUTES OF THE STATE OR A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY, HARRISON COUNTY, THE STATE OF INDIANA OR ANY POLITICAL SUBDIVISION THEREOF, AND THE BONDS DO NOT GRANT TO THE OWNERS OR HOLDERS THEREOF ANY RIGHT TO HAVE THE AUTHORITY, HARRISON COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF LEVY ANY TAXES OR APPROPRIATE FUNDS FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR PREMIUM, IF ANY, OR INTEREST THEREON. THE AUTHORITY HAS NO TAXING POWER.

The Bonds are limited obligations of the Authority and are payable solely from revenues, including (i) payments or prepayments to be made on the Series 2005-1 Master Note, (ii) payments under the Loan Agreement (other than the Authority's fees and expenses and the Authority's right to indemnification in certain circumstances and other amounts included in its unassigned rights), and (iii) certain money and investments held by the Bond Trustee under the Bond Indenture, including amounts to be paid by the Credit Enhancer to the Bond Trustee under the terms of the Credit Facility securing the Bonds.

Under certain conditions specified in the Master Indenture, members of the Obligated Group may issue additional Master Notes to parties other than the Authority and the Letter of Credit Bank, which additional Master Notes will not be pledged under the Bond Indenture, but will be equally and ratably secured by the Master Indenture with the Series 2005-1 Master Note, the Series 2005-2 Master Note, and the Swap Note. In addition, the Master Indenture permits each member of the Obligated Group to issue other indebtedness and to enter into guaranties, all upon the terms and conditions specified therein. See *APPENDIX C* for a description of certain terms of the Master Indenture, including those which impose restrictions on actions of the Obligated Group for the benefit of all holders of Master Notes issued under the Master Indenture. Such restrictions include, among others, restrictions on liens on the Obligated Group's property, restrictions on the incurrence of additional indebtedness and provisions governing the transfer of property.

To further secure the payment of the Bonds, the Hospital will cause to be issued by the Letter of Credit Bank the Initial Credit Facility. The Initial Credit Facility has an initial stated expiration date of October 31, 2010 and is in the initial amount equal to the sum of the aggregate outstanding principal amount of the Bonds and 45 days' interest at the maximum annual interest rate of 12% for the Bonds during the Daily Mode or Weekly Mode. In the event the Bonds are in the Flexible Mode or Fixed Mode, the need for a Credit Facility and the specific requirements therefor are as set forth in the Bond Indenture.

## **Undelivered Bonds**

If funds sufficient to pay the principal of any Bond when due (whether at maturity, redemption, acceleration or otherwise) are on deposit with the Bond Trustee but the Bond is not presented to the Bond Trustee for payment, then all liability of the Authority to the Registered Owner for the payment of the Bond is completely discharged. The Bond Trustee agrees in the Bond Indenture to hold the funds on deposit for any Bonds that have not been presented when due, but without liability for interest, solely for the benefit of the Registered Owners of those Bonds. Thereafter and prior to the transfer provided for in the succeeding paragraph, the sole claim that any Registered Owner who did not present its Bonds for payment when due has for the payment of its Bonds is to receive the funds held for its Bonds by the Bond Trustee.

Any money held by the Bond Trustee as described under this heading which remains unclaimed by the Registered Owners entitled to it for a period of four years after the date on which those Bonds became due will, except as may otherwise be provided by law, be paid to the Credit Enhancer to the extent of any amounts drawn on the Credit Facility which have not been reimbursed to the Letter of Credit Bank pursuant to the Reimbursement Agreement and then to the Hospital, upon its written request, or, if required by law, to the officer, board or body as may then be entitled by law to receive it. Thereafter, the Registered Owners of the Bonds not presented for payment may look only to the holder of those funds for the payment of its Bonds and may not look to the Bond Trustee for payment of its Bonds and the Bond Trustee has no responsibility with respect to the money transferred or the unpresented Bonds.

Bonds subject to a mandatory tender or with respect to which an optional tender notice has been received which are not delivered to the Bond Trustee as required by the Bond Indenture are nevertheless deemed to have been tendered and, if payment of the Purchase Price to the former Bondholders of the Bonds is made as required by the Bond Indenture, any such Bonds are no longer outstanding under the Bond Indenture and interest accruing on them after the optional tender date or the mandatory tender date is no longer payable to the former Bondowners of those Bonds.

## **BOOK ENTRY ONLY SYSTEM**

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for the Bonds, in each case in the aggregate principal amount of such maturity, and will be deposited with DTC or its agent. *So long as Cede & Co. (as nominee of DTC) is the Registered Owner of the Bonds, references herein to the Registered Owners or owners of the Bonds shall mean DTC or its nominee, and shall not mean the Beneficial Owners (as hereinafter defined) of the Bonds.*

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC also facilitates the post-trade

settlement among DTC's Participants (the "Direct Participants") of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") is, in turn, to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

The Authority and the Bond Trustee will recognize DTC or its nominee as the owner of the Bonds for all purposes, including notice purposes. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest and premium, if any, on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Bond Trustee on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Trustee, the Obligated Group or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Bond Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Remarketing Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to the Remarketing Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Bond Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered as described in the Bond Indenture.

The Bond Trustee or the Authority may discontinue use of the system of book entry transfers through DTC (or a successor securities depository) as described in the Bond Indenture. In that event, Bond certificates will be printed and delivered as described in the Bond Indenture.

The above information concerning DTC and DTC's book-entry system has been obtained from sources that Authority and the Obligated Group believe to be reliable, but the Authority takes no responsibility for the accuracy thereof.

*None of the Authority, the Underwriters, the Hospital or the Bond Trustee has any responsibility or obligation with respect to (i) the accuracy of any records maintained by DTC, its nominee or any Direct Participant or Indirect Participant with respect to any beneficial ownership interest in any Bond, (ii) the delivery to any Direct Participant or Indirect Participant or any other Person, other than an owner, as shown in the Bond Register, of any notice with respect to any Bond including, without limitation, any notice of redemption, tender, purchase or any event which would or could give rise to a tender or purchase right or option with respect to any Bond, (iii) the payment to any Direct Participant or Indirect Participant or any other Person, other than an owner, as shown in the Bond Register, of any amount with respect to the principal of, premium, if any, or interest on, or the purchase price of, any Bond, (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds or (v) any other action taken by DTC as registered owner.*

*The Authority, the Hospital and the Bond Trustee cannot and do not give any assurances that DTC or the Direct or Indirect Participants will distribute to the Beneficial Owners of the Bonds (i) payments of principal or redemption price of or interest on the Bonds; (ii) certificates representing an ownership interest or other confirmation of Beneficial Ownership interests in the Bonds; or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis or that Direct or Indirect Participants will serve and act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission, and the current "Procedures" of DTC to be followed in dealing with Participants are on file with DTC.*

## **REMARKETING**

Owners of the Bonds in the Daily or Weekly Mode have the right to tender their Bonds for purchase by the Hospital on certain dates in advance of their maturity. In addition, on a mandatory purchase date, the Owners of the Bonds will be required to tender, and the Hospital will be required to purchase, all then outstanding Bonds. In order to facilitate remarketing of the Bonds which are tendered or are required to be tendered for purchase, the Hospital has entered into a remarketing agreement (the "Remarketing Agreement") with Piper Jaffray & Co. (the "Remarketing Agent").

Pursuant to the Remarketing Agreement, the Remarketing Agent has agreed to use its best efforts to remarket (i) the Bonds which a Bondholder has optionally tendered for purchase pursuant to the provisions of the Bond Indenture described above under the heading "*The Bonds - Purchase of Bonds*," and (ii) on a mandatory tender date as described under the heading "*The Bonds - Purchase of Bonds*," all outstanding Bonds. The Remarketing Agent will solicit purchases of such Bonds at a price equal to the amount of such Bonds plus accrued interest. The Remarketing Agent's responsibilities are subject to the various conditions set forth in the Remarketing Agreement and the Bond Indenture. Those Bonds which the Remarketing Agent is unable to remarket before the date on which purchase is required, are required to be purchased pursuant to a draw on the Credit Facility for the Bonds for the purpose of paying amounts due on any tender date.

Under the terms of the Remarketing Agreement, upon 30 days' prior written notice, the Remarketing Agent may be removed by the Hospital or the Remarketing Agent may resign. The Hospital will pay the Remarketing Agent a reasonable fee for its services.

### **INITIAL CREDIT FACILITY**

The Initial Credit Facility is an irrevocable obligation of the Letter of Credit Bank to pay to the Bond Trustee, upon a drawing made by the Bond Trustee in accordance with the terms of the Initial Credit Facility, (1) an amount sufficient to pay the principal of the Bonds, plus an additional amount up to 45 days' interest at a rate not to exceed 12% or (2) as required in the Bond Indenture, the Purchase Price of the Bonds. The Initial Credit Facility has an initial stated expiration date of October 31, 2010, or as terminated earlier pursuant to the following sentence. Notwithstanding the foregoing or the provisions regarding the extension of the expiry date, the Initial Credit Facility expires upon the first to occur of (a) the earlier of the date following receipt from the Bond Trustee of notice that no Bonds remain Outstanding and the Bond Indenture has been discharged; (b) receipt of notice from the Bond Trustee that a substitute Credit Facility has been issued in accordance with the Bond Indenture; or (c) thirty calendar days after the date the Bond Trustee receives written notice from the Letter of Credit Bank of the occurrence of an "event of default" under the Reimbursement Agreement.

The stated amount available under the Initial Credit Facility will automatically be reduced by the amount of each drawing paid by the Letter of Credit Bank, subject to reinstatement as provided below. The amount of any drawing for the payment of the principal of the Bonds shall also reduce the stated amount automatically by reducing the principal portion thereof by the amount of such principal payment and by reducing the interest portion thereof for Bonds by an amount equal to forty-five (45) days of interest at the rate of 12% per annum on the principal amount so paid.

Amounts drawn for payment of the Purchase Price of tendered Bonds shall be reinstated only upon the receipt of and in the amount of any reimbursement received by the Letter of Credit Bank as a result of the remarketing of the Bonds and other amounts received from the Obligated Group. Amounts drawn for payment of interest at the rate actually accrued and due on the Bonds on or prior to their stated maturity date shall automatically be reinstated to the interest portion of the stated amount on the earlier of the date of reimbursement of such amount or the fifth calendar day following the honoring of such drawing unless the Letter of Credit Bank provides a notice to the Bond Trustee that the amount available to be drawn has not been reinstated by the amount of the drawing for interest. Any other amounts drawn for the payment of principal of the Bonds shall not be reinstated.

Upon an acceleration of the Bonds, the Bond Trustee will be entitled to draw on the Initial Credit Facility to pay the principal of and interest on the Bonds to the date of acceleration (up to 45 days), less amounts paid in respect of interest on any Bond and the Purchase Price of any Bonds for which the Initial Credit Facility has not been reinstated.

## **CREDIT FACILITY AND LIQUIDITY FACILITY**

### **Draws or Claims under Credit Facility**

If a Credit Facility is in effect with respect to the Bonds, the Bond Trustee will present all notices, drafts, demands, claims and other documents required by such Credit Facility (in the manner and to the extent therein permitted and by the time required thereby) to draw or claim funds thereunder in an amount sufficient, and by the time required, to pay the principal of (and premium, if any, to the extent permitted under the Credit Facility) and interest on (but not the Purchase Price of) the Bonds to become due at the maturity thereof (whether by reason of the stated maturity thereof, call for redemption or declaration of acceleration), and the interest thereon to become due on each Interest Payment Date, but in every case only in respect of Bonds which are not registered in the name of the Authority, any Obligated Issuer or the Hospital. In calculating the amount to be drawn on the Credit Facility for the payment of principal of (and premium, if any, to the extent permitted under the Credit Facility) and interest on the Bonds, whether at maturity or upon redemption or acceleration, the Bond Trustee will not take into account the potential receipt of funds from the Hospital under the Loan Agreement on such Interest Payment Date, or the existence of other moneys in the Bond Fund but will draw on the Credit Facility for the full amount of principal of, and premium, if any, and interest coming due on the Bonds.

### **Release of Credit Facility**

The Bond Trustee will release and return the Credit Facility for the Bonds to the Credit Enhancer upon the occurrence of any one of the following events:

- (a) when there are no Bonds outstanding and the Bond Indenture has been released in accordance with the provisions of Bond Indenture;
- (b) when such Credit Facility has expired or been terminated in accordance with its terms;
- (c) when a successor Bond Trustee has been appointed and qualified and a new Credit Facility for the Bonds has been issued to such successor Bond Trustee;
- (d) when the maximum aggregate credit available under such Credit Facility is reduced pursuant to the terms thereof and the Credit Enhancer has issued a new Credit Facility for the Bonds to the Bond Trustee in the stated amount of the maximum aggregate credit available under the Credit Facility as so reduced but otherwise identical to the Credit Facility to be released;
- (e) at the close of business on the first Business Day of (A) any month during a Daily Mode or Weekly Mode for the Bonds, (B) any Rate Period during a Flexible Mode for the Bonds, or (C) any Fixed Mode for the Bonds, if in any case there is then in effect an alternate Credit Facility for the Bonds issued to and accepted by the Bond Trustee not later than the Business Day next preceding the mandatory tender date for the Bonds; or



(f) at the close of business on the first Business Day of (i) any month during a Daily Mode or Weekly Mode for the Bonds, (ii) any Rate Period during a Flexible Mode for the Bonds, or (iii) any Fixed Mode for the Bonds, if the Hospital, by Hospital request made not less than 45 days prior to such Business Day, unless a shorter period (of not less than 30 days) is acceptable to the Bond Trustee, has provided that such Credit Facility will then be released;

and not otherwise. However, if the Credit Enhancer and the Bank are the same person, no such release to such person will be effected by the Bond Trustee pursuant to Section (e) or (f) above unless the Liquidity Facility is then released to such person pursuant to the provisions of the Bond Indenture described below under the heading “Release of Liquidity Facility”, except with the written consent of such person.

### **Alternate Credit Facility**

Each alternate Credit Facility for the Bonds accepted by the Bond Trustee in substitution for the Credit Facility for the Bonds then in effect, and each extension or amendment of the Credit Facility for the Bonds then in effect:

(a) must provide for draws or claims sufficient to pay the principal of all of the Bonds then outstanding plus interest thereon, at the maximum per annum rate of interest which may be borne by the Bonds during any Interest Mode for the Bonds to be in effect (assuming no subsequent Hospital order or notice from the Rate Setting Agent designating a different Interest Mode for the Bonds) during the term of such alternate, extended or amended Credit Facility, for up to at least the sum of (i) the greatest number of days between Interest Payment Dates for the Bonds in such Interest Mode, or 34 days if such alternate, extended or amended Credit Facility allows monthly draws for accrued interest, (ii) the greatest number of days which may transpire after a draw or claim under such alternate, extended or amended Credit Facility to pay interest on the Bonds prior to the reinstatement of such amount, (iii) 5 days, and (iv) any additional number of days necessary to satisfy Rating Service requirements;

(b) must have a term which (i) is neither less than one year nor, if the resulting release of the Credit Facility for the Bonds then in effect described in (e) above under the heading “Release of Credit Facility” occurs during a Flexible Mode or Fixed Mode for the Bonds, less than the shorter of the remaining term of the Credit Facility or the remaining term of the Rate Period for the Bonds then in effect and (ii) ends no earlier than the close of business on the sixth Business Day of a month; and

(c) may be a letter of credit, policy of insurance, surety bond, acceptance, or guarantee or otherwise be in structure and form different from, but must provide rights not materially different from, the Credit Facility for the Bonds then in effect with respect to the amounts of principal of and interest on the Bonds covered thereby, the rights of the Bond Trustee to draw, make claim for and enforce payment of such amounts, and the provisions for release or termination thereof.

The Bond Trustee will accept an alternate Credit Facility for the Bonds in substitution for any Credit Facility for the Bonds then in effect, or an extension or amendment thereof, only upon receipt of an Opinion of Counsel stating that (i) such alternate Credit Facility, extension, or amendment is in accordance with the conditions of the Bond Indenture, (ii) such alternate Credit Facility, extension or amendment constitutes a legal, valid, and binding obligation of the obligor thereon and is enforceable in accordance with its terms (except to the extent that the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, or other laws for the relief of debtors other than the Authority, the Hospital or any Obligated Issuer, and by general principles of equity which permit the exercise of judicial discretion); and (iii) the substitution of such alternate Credit Facility for the Credit Facility then in effect or the acceptance of such extension or amendment, as the case may be, will not adversely affect any exclusion of the interest on any Bond from the gross income of the owner thereof for federal income tax purposes. The Bond Trustee will not be required to accept any such alternate Credit Facility, extension or amendment which materially adversely affects the rights, duties or immunities of the Bond Trustee or its agents under the Bond Indenture.

### **Draws on or Demands Under Liquidity Facility**

If a Liquidity Facility is in effect with respect to the Bonds, the Bond Trustee will:

- (i) present all drafts, demands, and other documents required by such Liquidity Facility (in the manner permitted and by the time required) for the payment of funds sufficient to pay, on each Purchase Date, the Purchase Price for, or
- (ii) give such notice and do such other acts as may be required by such Liquidity Facility (in the manner permitted and by the time required) to cause the Hospital to purchase at the Purchase Price, on each Purchase Date,

all Bonds required to be purchased in any event on such Purchase Date and for which the Purchase Price thereof has not been paid or deposited in immediately available funds to the Purchase Fund from the proceeds of the remarketing of such Bonds (other than to the Authority, the Hospital or any Obligated Issuer), by 9:30 a.m., Chicago time, on such Purchase Date.

In the event that a Liquidity Facility is to be replaced, which replacement results in a mandatory tender of Bonds, the Bond Trustee will draw, to the extent necessary, on the Liquidity Facility being replaced to effect the purchase of tendered Bonds rather than the new replacement Liquidity Facility.

### **Release of Liquidity Facility**

The Bond Trustee will release and return the Liquidity Facility to the Bank upon any one of the following occurrences:

- (a) when there are no Bonds outstanding and the Bond Indenture has been released in accordance with the Bond Indenture;

(b) when such Liquidity Facility has expired or been terminated in accordance with its terms;

(c) when a successor Bond Trustee has been appointed and qualified pursuant to Bond Indenture, and a new Liquidity Facility for the Bonds has been issued to such successor Bond Trustee;

(d) when the maximum aggregate credit available under such Liquidity Facility is reduced pursuant to the terms thereof and the Bank has issued a new Liquidity Facility for the Bonds to the Bond Trustee in the stated amount of the maximum aggregate credit available under the Liquidity Facility as so reduced but otherwise identical to the Liquidity Facility to be released;

(e) at the close of business on the first Business Day of (A) any month during a Daily Mode or Weekly Mode for the Bonds, (B) any Rate Period during a Flexible Mode for the Bonds, or (C) any Fixed Mode for the Bonds, if in any case there is then in effect an alternate Liquidity Facility for the Bonds issued to and accepted by the Bond Trustee not later than the Business Day next preceding the mandatory tender date for the Bonds; or

(f) at the close of business on the first Business Day of (i) any month during a Daily Mode or Weekly Mode for the Bonds, (ii) any Rate Period during a Flexible Mode for the Bonds, or (iii) any Fixed Mode for the Bonds, if the Hospital, by Hospital request made not less than 45 days prior to such Business Day, unless a shorter period (of not less than 30 days) is acceptable to the Bond Trustee, has provided that such Liquidity Facility has then been released;

and not otherwise. However, if the Credit Enhancer and the Bank are the same person, no such release to such person will be effected by the Bond Trustee pursuant to (e) or (f) above unless the Credit Facility is then released to such person pursuant to provisions described under "Release of Credit Facility," except with the written consent of such person.

### **Alternate Liquidity Facility**

Each alternate Liquidity Facility for the Bonds accepted by the Bond Trustee in substitution for the Liquidity Facility for the Bonds then in effect or to confirm the Liquidity Facility then in effect, and each extension or amendment of the Liquidity Facility, then in effect:

(a) must provide for draws or claims sufficient to pay a Purchase Price up to the principal of all of the Bonds not yet due plus interest thereon, at the maximum per annum rate of interest which may be borne by the Bonds during any Interest Mode for the Bonds to be in effect (assuming no subsequent Hospital order or notice from the Rate Setting Agent designating a different Interest Mode for the Bonds) during the term of such alternate, extended or amended Liquidity Facility, for up to at least the sum of (i) the greatest number of calendar days between Interest Payment Dates for the Bonds in such Interest Mode, or 34 days if a Credit Facility for the Bonds is then in effect and such Credit Facility allows monthly draws for accrued interest, (ii) the greatest number of calendar days which may transpire after a draw or claim under such alternate, extended or

amended Liquidity Facility to pay the Purchase Price of the Bonds prior to the reinstatement of such amount, (iii) 5 calendar days, and (iv) any additional number of days necessary to satisfy Rating Service requirements;

(b) must have a term which (i) is neither less than one year nor, if the resulting release of the Liquidity Facility for the Bonds then in effect required by the provisions described in (e) above occurs during a Flexible Mode or Fixed Mode for the Bonds, less than the shorter of the remaining term of the Liquidity Facility or remaining term of the Rate Period for the Bonds then in effect and (ii) ends at the close of business on the sixth Business Day of a month; and

(c) may be a bond purchase agreement, letter of credit, line of credit, policy of insurance, surety bond, acceptance or guarantee or otherwise be in structure and form different from, but shall provide rights not materially different from, the Liquidity Facility for the Bonds then in effect with respect to the amount of the Purchase Price covered thereby, the rights of the Bond Trustee to draw, make claim for and enforce payment of such amount, and the provisions for release or termination thereof.

The Bond Trustee will accept an alternate Liquidity Facility for the Bonds in substitution for the Liquidity Facility for the Bonds then in effect, or an extension or amendment thereof, only upon receipt of an Opinion of Counsel stating that (i) such alternate Liquidity Facility, extension or amendment was issued in accordance with the conditions described under this heading, (ii) such alternate Liquidity Facility, extension or amendment constitutes a legal, valid and binding obligation of the obligor thereon and is enforceable in accordance with its terms (except to the extent that the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, or other laws for the relief of debtors other than the Authority, the Hospital or any Obligated Issuer and by general principles of equity which permit the exercise of judicial discretion), and (iii) the substitution of such alternate Liquidity Facility for the Liquidity Facility then in effect or the acceptance of such extension or amendment, as the case may be, will not adversely affect any exclusion of the interest on any Bond from the gross income of the owner thereof for federal income tax purposes. The Bond Trustee is not required to accept any such alternate Liquidity Facility, extension or amendment which materially adversely affects the rights, duties and immunities of the Bond Trustee and its agents under the Bond Indenture.

## **REIMBURSEMENT AGREEMENT**

At the time of, or prior to, delivery of the Initial Credit Facility, the Letter of Credit Bank and the Hospital will enter into a Reimbursement Agreement (the "Reimbursement Agreement"). Under the Reimbursement Agreement, the Obligated Group agrees to reimburse the Letter of Credit Bank for the amount of any drawing under the Initial Credit Facility, plus interest thereon. Under the Reimbursement Agreement, the Hospital also agrees to pay certain fees and expenses and other amounts to the Letter of Credit Bank. The Reimbursement Agreement contains certain covenants of and restrictions on the Hospital which are typically found in such agreements. Such covenants include, without limitation, the agreement to provide financial statements and other information to the Letter of Credit Bank. Such covenants and restrictions are for the benefit of the Letter of Credit Bank only and may be waived or amended by the Letter of Credit Bank without the consent of the Master Trustee, the Bond Trustee or any Bondowners. The

Bondowners will have no rights or obligations as a result of any such covenants or amendments thereto or waivers thereof.

The Hospital's obligations under the Reimbursement Agreement shall be evidenced by, and secured by, the Series 2005-2 Master Note in the principal amount equal to the maximum stated amount of the Initial Credit Facility issued pursuant to the Master Trust Indenture, as amended by the 2005-2 Supplemental Master Indenture.

Issuance of the Initial Credit Facility is conditioned upon receipt by the Letter of Credit Bank of certain legal opinions, the fees to be paid to the Letter of Credit Bank for purposes of the issuance of the Initial Credit Facility and other requirements of the Letter of Credit Bank.

The Reimbursement Agreement contains certain defined events of default including, without limitation, failure to pay any amounts due under the Reimbursement Agreement, breach of the covenants and restrictions contained therein, events of default under the Master Trust Indenture, the Bond Indenture or the Loan Agreement and certain other events. If the Hospital defaults under any of its covenants, restrictions or obligations under the Reimbursement Agreement and if, as a result, the Letter of Credit Bank demands an acceleration of the Bonds, then an Event of Default under the Bond Indenture has occurred. Upon the occurrence of such an Event of Default, the Bond Trustee must declare the principal of all Bonds then outstanding to be immediately due and payable. THE LETTER OF CREDIT BANK, WITHOUT THE CONSENT OF THE BONDOWNERS, THE BOND TRUSTEE OR THE AUTHORITY, HAS THE ABILITY TO REQUIRE THE BONDS TO BE ACCELERATED PRIOR TO THEIR MATURITY UPON THE OCCURRENCE OF A DEFAULT UNDER THE REIMBURSEMENT AGREEMENT.

### **THE AUTHORITY**

The Authority was established on May 15, 2005, as the successor to the Indiana Health Facility Financing Authority which was created in 1983 pursuant to the provisions of the Act. The Authority is organized and existing under and by virtue of the Act as a public body politic and corporate, not as an agency of the State, but an independent public instrumentality exercising essential public functions. Under the Act, in addition to financing facilities for institutions of higher education, the Authority is authorized to make loans to "participating providers" (as defined in the Act) in order to provide funds to finance, refinance and provide reimbursement for all or a portion of any and all costs authorized under the Act and related to the acquisition, lease, construction, repair, restoration, reconditioning, refinancing, installation or housing of "health facility property" (as defined in the Act). The Authority may finance health facility property located in Indiana or outside Indiana if the financing also includes a substantial component, as determined by the Authority, for the benefit of a health facility located in Indiana. Further, the participating provider (or an affiliate thereof) in any financing for a health facility outside Indiana must operate a substantial health facility, as determined by the Authority, in Indiana. The Authority has no taxing power.

The Act provides that the Authority shall consist of seven members, four of whom are appointed by the Governor of the State for terms of four years each. Two of the four members appointed by the Governor must be knowledgeable in health care or public finance and

investment matters related to health care, and two of the members appointed by the Governor must be knowledgeable in higher education or public finance and investment matters related to higher education. The Authority shall also include among its members (i) the Governor or the Governor's designee, who shall serve as chairman of the Authority, (ii) the State public finance director or the State public finance director's designee, and (iii) the State health commissioner or the State health commissioner's designee. All Authority members must be residents of the State, with not more than three of the four members appointed by the Governor being of the same political party. All Authority members serve without compensation but are entitled to reimbursement for actual and necessary expenses as determined by the Authority. The Governor shall appoint an Executive Director to serve at the pleasure of the Governor and to receive such compensation as the members of the Authority shall determine. The Executive Director serves as an *ex officio* secretary of the Authority, administers, manages and directs the employees of the Authority (under the direction of the members of the Authority), approves all accounts and expenses and performs other and additional duties as directed by the members of the Authority.

The Act provides that the State pledges to, and agrees with, the holders of any obligations issued under the Act that it will not limit or alter the rights vested in the Authority by the Act until such obligations together with the interest thereon are fully met and discharged; provided, however, that nothing in the Act precludes such limitation or alteration if and when adequate provision shall be made by law for the protection of the holders of such obligations.

The Authority has undertaken and will continue to undertake other types of financings for the purposes authorized by and in accordance with the procedures set forth in the Act, including loans to other participating providers and institutions of higher education, equipment financing programs, small loan programs and pooled loan programs. The Bonds neither have nor will have any claim of payment from the security or revenues pledged for the payment of the obligations issued by the Authority in connection with any and all such financings, and no such obligations have or will have any claim of payment from the security or revenues pledged for the payment of the Bonds. Obligations of the Authority outstanding or issued subsequent to the issuance of the Bonds are payable solely from the revenues derived from the programs or from participating providers and institutions of higher education in connection with which such obligations were issued.

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY AND WILL BE PAYABLE SOLELY FROM AND SECURED EXCLUSIVELY BY PAYMENTS, REVENUES AND OTHER AMOUNTS PLEDGED THERETO PURSUANT TO THE BOND INDENTURE. THE BONDS DO NOT REPRESENT OR CONSTITUTE A DEBT OF THE AUTHORITY, HARRISON COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE PROVISIONS OF THE CONSTITUTION OR STATUTES OF THE STATE OR A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY, HARRISON COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND THE BONDS DO NOT GRANT TO THE OWNERS OR HOLDERS THEREOF ANY RIGHT TO HAVE THE AUTHORITY, HARRISON COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF LEVY ANY TAXES OR APPROPRIATE FUNDS FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR PREMIUM, IF ANY, OR INTEREST THEREON. THE AUTHORITY HAS NO TAXING POWER.

## **ABSENCE OF MATERIAL LITIGATION**

### **Authority**

There is not now pending or, to the knowledge of the Authority, threatened any litigation restraining or enjoining the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings or authority under which they are to be issued. There is no litigation pending or, to its knowledge, threatened which in any manner questions the right of the Authority to enter into the Loan Agreement or to secure the Bonds in the manner provided in the Bond Indenture.

### **Hospital**

No action, suit, proceeding or investigation, at law or in equity, before or by any court, any governmental agency or any public board or body is pending or, to the knowledge of the Hospital, threatened which will or may have a materially adverse effect on the financial condition of the Hospital, or in any way questions or affects the validity of the Bond Purchase Agreement, the Initial Credit Facility, the Loan Agreement, the Reimbursement Agreement or the Bonds or contests the corporate existence or powers of the Hospital.

## **LEGAL MATTERS**

All legal matters incidental to the authorization and issuance of the Bonds by the Authority are subject to the approval of Barnes & Thornburg LLP, Bond Counsel. Certain matters will be passed upon for the Authority by the Attorney General of the State of Indiana, for the Hospital by its counsel, Hall, Render, Killian, Heath & Lyman, P.S.C., for the Letter of Credit Bank by its counsel, Stites & Harbison PLLC and for the Underwriters by their counsel, Ice Miller.

## **TAX EXEMPTION**

### **In General**

The opinion of Bond Counsel and the descriptions of the tax laws contained in this Official Statement are based on laws and official interpretations of them which are in existence on the date the Bonds are issued. There can be no assurance that those laws or the interpretation of them will not change or that new laws will not be enacted or regulations issued while the Bonds are outstanding in a manner that would adversely affect the value of an investment in the Bonds or the tax treatment of the interest paid on the Bonds.

### **Federal Income Tax Opinion of Bond Counsel**

In the opinion of Barnes & Thornburg LLP, Indianapolis, Indiana, Bond Counsel, under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Bonds (the "Code"). This opinion relates only to the exclusion from gross income of interest on the Bonds for federal income tax purposes under Section 103 of the Code. The opinion of Barnes & Thornburg LLP is based on certain certifications, covenants and

representations of the Authority and the Hospital and is conditioned on continuing compliance therewith (the "Tax Covenants"). In the opinion of Barnes & Thornburg LLP, Indianapolis, Indiana, Bond Counsel, under existing law, interest on the Bonds is exempt from income taxation in the State of Indiana for all purposes except the State financial institutions tax. See APPENDIX D for the form of Bond Counsel opinion.

The Code imposes certain requirements which must be met subsequent to the issuance of the Bonds as a condition to the exclusion from gross income of interest on the Bonds for federal tax purposes. Noncompliance with such requirements may cause interest on the Bonds to be included in gross income for federal tax purposes retroactive to the date of issue, regardless of the date on which noncompliance occurs. Should the Bonds bear interest that is not excluded from gross income for federal income tax purposes, the market value of the Bonds would be materially and adversely affected.

The interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, interest on the Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

The Bonds are not qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Code.

Indiana Code 6-5.5 imposes a franchise tax on certain taxpayers (as defined in Indiana Code 6-5.5) which, in general, includes all corporations which are transacting the business of a financial institution in Indiana. The franchise tax is measured in part by interest excluded from gross income under Section 103 of the Code minus associated expenses disallowed under Section 265 of the Code.

Although Bond Counsel will render an opinion that interest on the Bonds is excludable from gross income for federal tax purposes and exempt from State income tax, the accrual or receipt of interest on the Bonds may otherwise affect an owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the owner's particular tax status and the owner's other items of income or deduction. Bond Counsel expresses no opinion regarding the effect on the excludability of the interest on the Bonds from gross income for federal income tax purposes of the conversion of the interest rate on the Bonds from one Interest Mode to another Interest Mode or the delivery of an alternate Credit Facility or alternate Liquidity Facility to the Trustee. Bond Counsel expresses no opinion regarding any other such tax consequences. Prospective purchasers of the Bonds should consult their own tax advisors with regard to the other tax consequences of owning the Bonds.

The foregoing does not purport to be a comprehensive description of all of the tax consequences of owning the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors with respect to the foregoing and other tax consequences of owning the Bonds.

## **RATING**

The Bonds have been assigned a bond rating of "AA-/A-1+" by Standard & Poor's Credit Market Services, a division of The McGraw-Hill Companies, Inc. (the "Rating Agency") based



on the condition that the Letter of Credit Bank will issue the Initial Credit Facility securing repayment of the Bonds, and interest thereon up to and including 45 days. The rating will apply to Bonds while the Initial Credit Facility is securing the Bonds. Such rating is not based upon a credit evaluation of the Hospital.

Such rating reflects only the views of the Rating Agency, and any explanation of the significance of such rating may be obtained only from the Rating Agency. Such rating is dependent upon the rating of the Letter of Credit Bank and, accordingly, such rating may be lowered or withdrawn in the event that the rating of the Letter of Credit Bank is lowered or is withdrawn. Such rating for the Bonds is subject to revision, suspension or withdrawal at any time by the rating agency and any such revision, suspension or withdrawal may affect the market price or marketability of the Bonds. A rating is not a recommendation to buy, sell or hold the Bonds.

A further explanation of the significance of the rating may be obtained from the Rating Agency.

### **UNDERWRITING**

The Underwriters will agree to purchase \$30,000,000 aggregate principal amount of the Bonds when, as and if issued at an aggregate purchase price of 99.35% of the principal amount purchased pursuant to a Bond Purchase Agreement, as accepted by the Hospital and the Authority. The Underwriters reserve the right to join with dealers and other underwriters in offering the Bonds to the public. The obligation of the Underwriters to accept delivery of the Bonds will be subject to various conditions set forth in the Bond Purchase Agreement.

### **NO CONTINUING DISCLOSURE**

The initial offering on the Bonds is exempt from the continuing disclosure requirements of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule"); neither the Hospital nor other members of the Obligated Group will be obligated to provide ongoing information to Bondholders.

### **MISCELLANEOUS**

The references herein to the Bonds, the Master Indenture, the Bond Indenture, the Series 2005-1 Master Note, the Series 2005-2 Master Note, the Swap Note, the Initial Credit Facility, the Reimbursement Agreement and the Loan Agreement are brief outlines of certain provisions thereof and do not purport to be complete. For full and complete statements of such provisions reference is made to such documents. Copies of the documents mentioned under this heading are on file at the offices of the Authority and following delivery of the Bonds will be on file at the offices of the Bond Trustee.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error in the printing of such numbers shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Bonds.

The attached Appendices are integral parts of this Official Statement and must be read together with all of the foregoing statements.

The Hospital has reviewed the information contained herein, including the Appendices hereto, which relate to it, its property and the plan of financing, and has approved all such information for use within the Official Statement.

The execution and delivery of this Official Statement has been duly authorized by the Authority and the Hospital.

**INDIANA HEALTH AND EDUCATIONAL  
FACILITY FINANCING AUTHORITY**

By: /s/ Ryan C. Kitchell  
Vice Chair

This Official Statement is approved by:

**THE BOARD OF TRUSTEES OF  
HARRISON COUNTY HOSPITAL**

By: /s/ Parvin A. Baumgart  
Parvin A. Baumgart, Chairman

## **APPENDIX A**

### **JPMORGAN CHASE BANK, NATIONAL ASSOCIATION**

JPMorgan Chase Bank, National Association (“JPMCB”) is a wholly owned bank subsidiary of JPMorgan Chase & Co. (“JPMorgan Chase”), a Delaware corporation whose principal office is located in New York, New York. JPMCB is a commercial bank offering a wide range of banking services to its customers, both domestically and internationally. It is chartered and its business is subject to examination and regulation by the Office of the Comptroller of the Currency.

Effective July 1, 2004, Bank One Corporation merged with and into JPMorgan Chase, the surviving corporation in the merger. Prior to November 13, 2004, JPMCB was a New York state-chartered bank and was named JPMorgan Chase Bank. On that date, it became a national banking association and its name was changed to JPMorgan Chase Bank, National Association (the “Conversion”). Immediately following the Conversion, Bank One, N.A. (Chicago) and Bank One, N.A. (Columbus) merged into JPMCB.

As of June 30, 2005, JPMorgan Chase Bank, National Association, had total assets of \$973.1 billion, total net loans of \$372.6 billion, total deposits of \$529.2 billion, and total stockholder’s equity of \$83.2 billion. These figures are extracted from JPMCB’s unaudited Consolidated Reports of Condition and Income as at June 30, 2005, which are filed with the Board of Governors of the Federal Reserve System.

Additional information, including the most recent Form 10-K for the year ended December 31, 2004, of JPMorgan Chase & Co., the 2004 Annual Report of JPMorgan Chase & Co. and additional annual, quarterly and current reports filed or furnished with the Securities and Exchange Commission by JPMorgan Chase & Co., as they become available, may be obtained without charge by each person to whom this Official Statement is delivered upon the written request of any such person to the Office of the Secretary, JPMorgan Chase & Co., 270 Park Avenue, New York, New York 10017.

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The information contained in this Appendix relates to and has been obtained from JPMCB. The delivery of the Official Statement shall not create any implication that there has been no change in the affairs of JPMCB since the date hereof, or that the information contained or referred to in this Appendix is correct as of any time subsequent to its date.

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**APPENDIX B**  
**SUMMARY OF BOND INDENTURE AND LOAN AGREEMENT**  
**DEFINITIONS**

The following definitions are used in the Bond Indenture, the Loan Agreement, and this Appendix B.

“Act” means Indiana Code 5-1-16 as heretofore and hereafter amended or supplemented.

“Adjusted Interest Rate” means each Daily Rate, Weekly Rate and Flexible Rate.

“Authority” means the Indiana Health and Educational Facility Financing Authority, and any successor to its functions under the Bond Indenture.

“Bank Agreements” means the agreements between the Hospital and a Letter of Credit Bank, as such agreements may from time to time be amended or supplemented, pursuant to which a Liquidity Facility is issued and outstanding.

“Bank Bonds” means any Bond registered in the name of the Letter of Credit Bank or in the name of the Hospital and pledged to the Letter of Credit Bank pursuant to a purchase thereof in accordance with the Bond Indenture.

“Bank Obligation” means the obligation of the Hospital to the Letter of Credit Bank for all amounts payable to the Letter of Credit Bank pursuant to the terms of the Liquidity Facility and the Bank Agreements.

“Bondholder,” “holder” or “owner of the Bonds” means the person in whose name a Bond is registered on the Bond Register.

“Bond Indenture” means the Indenture of Trust and Pledge, dated as of November 1, 2005, between the Authority and the Bond Trustee.

“Bond Registrar” means the bank designated in accordance with the Bond Indenture, as keeper of the Bond Register. The initial Bond Registrar is J.P. Morgan Trust Company, National Association.

“Bonds” means the \$30,000,000 in aggregate principal amount of the Authority’s Adjustable Rate Hospital Revenue Bonds, Series 2005 (Harrison County Hospital Project), issued under the Bond Indenture.

“Bond Trustee” means J.P. Morgan Trust Company, National Association, or any permitted successor as trustee under the Bond Indenture.

“Business Day” means a day of the year, other than a Saturday or Sunday, on which commercial banks located in the city or cities in which the principal corporate trust office of the Bond Trustee, the principal office of the Remarketing Agent, the principal office of the Letter of

Credit Bank and the principal office of the Credit Enhancer are located, are not required or authorized to remain closed and on which the payment system of the Federal Reserve is operational.

“Code” means the Internal Revenue Code of 1986, as heretofore or hereafter amended.

“Conversion Date” means the Mode Adjustment Date on which the Bonds are converted to the Fixed Mode.

“Credit Documents” means the underlying documents, if any, between the Hospital or the Obligated Group and the issuer of a Credit Facility, relating to the issuance of such Credit Facility.

“Credit Enhancer” means the issuer of any Credit Facility issued pursuant to the Bond Indenture, and will initially be J.P. Morgan Chase Bank, N.A., a national banking association.

“Credit Facility” means any letter of credit, bond insurance policy, bond purchase agreement or other similar credit facility provided pursuant to the Bond Indenture supporting payment of principal of and interest on the Bonds.

“Credit Obligation” means the obligation of the Hospital to the Credit Enhancer for all amounts payable to the Credit Enhancer pursuant to the terms of the Credit Documents.

“Daily Mode” means any period of time, determined in accordance with the Bond Indenture, during which interest on the Bonds accrues at a Daily Rate.

“Daily Rate” means the rate of interest applicable to the Bonds bearing interest in the Daily Mode which is determined in accordance with the provisions of the Bond Indenture.

“Fixed Mode” means any period of time, determined in accordance with the Bond Indenture, during which interest on the Bonds accrues at a Fixed Rate.

“Fixed Rate” means the fixed rate of interest established in the manner and upon the conditions set forth in the Bond Indenture.

“Flexible Mode” means any period of time, determined in accordance with the Bond Indenture, during which interest on the Bonds accrues at a Flexible Rate.

“Flexible Rate” means the rate of interest established in the manner and upon the conditions set forth in the Bond Indenture.

“Government Obligations” means direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America and U.S. Treasury STRIPS. For purposes of defeasance under the Bond Indenture, “Government Obligations” shall not include U.S. Treasury STRIPS.

“Hospital” means The Board of Trustees of Harrison County Hospital, a body corporate and politic duly organized and validly existing under the laws of the State, and any permitted successor to the Hospital under the Master Trust Indenture.

“Interest Mode” means any Daily Mode, Weekly Mode, Flexible Mode or Fixed Mode.

“Interest Payment Date” means (i) with respect to any Bonds in the Daily Mode or Weekly Mode, the first Business Day of each calendar month during which the Daily Mode or Weekly Mode for such Bonds is in effect (other than the first of such calendar months) and the first day of the first Rate Period for such Bonds after such Interest Mode is no longer in effect; (ii) with respect to any Bonds in the Flexible Mode, the first Business Day of the next Rate Period for such Bonds; (iii) with respect to any Bonds in the Fixed Mode, each April 1 and October 1 or the next succeeding Business Day thereafter if any such April 1 or October 1 is not a Business Day; (iv) a Conversion Date for the Bonds; and (v) October 1, 2032.

“Letter of Credit Bank” means the provider of any Liquidity Facility issued to provide the Purchase Price of Bonds tendered for purchase pursuant to the Bond Indenture, and will initially be J.P. Morgan Chase Bank, N.A., a national banking association.

“Liquidity Facility” means any standby purchase and credit agreement, letter of credit, bond purchase agreement or other similar agreement provided pursuant to the Bond Indenture and providing for the provision of sufficient monies to pay the Purchase Price of any Bonds on any Tender Date, issued by a Letter of Credit Bank for the benefit of the Bond Trustee pursuant to the Bank Agreements.

“Loan Agreement” means the Loan Agreement, dated as of November 1, 2005, between the Authority and the Hospital, as the same may be from time to time amended or supplemented in accordance with the provisions thereof.

“Master Trust Indenture” means the Master Trust Indenture, dated as of November 1, 2005, between the Hospital and the Master Trustee, as amended or supplemented at the time in question.

“Master Note” or “Note” means the 2005-1 Note and any Note issued in exchange therefor.

“Master Trustee” means J.P. Morgan Trust Company, National Association, or any successor Master Trustee appointed pursuant to the provisions of the Master Trust Indenture.

“Maturity” when used with respect to any Bond means the date on which the principal of such Bond becomes due and payable as therein or herein provided, whether at the Stated Maturity or by acceleration or redemption or otherwise, but does not include payment of the portion of the Purchase Price corresponding to principal of such Bond pursuant to the Bond Indenture.

“Obligated Group” means the Hospital and any other person which has fulfilled the requirements for entry into the Obligated Group set forth in the Master Trust Indenture and has not ceased such status pursuant to the Master Trust Indenture.

“Opinion of Counsel” means a written opinion of counsel who may (except as otherwise expressly provided in the Bond Indenture) be counsel for one or more of the Authority, the Hospital, any Obligated Issuer, the Credit Enhancer or the Letter of Credit Bank and shall be not unsatisfactory to the Bond Trustee and the Authority and, when given with respect to the status of interest on any Bond under federal income tax law, shall be counsel of nationally recognized standing in the field of municipal bond law and, when given with respect to any matter under Title 11 of the United States Code, as now or hereafter constituted (i.e., the Bankruptcy Code), shall be counsel of nationally recognized standing in the field of bankruptcy law.

“Outstanding” means, with respect to the Bonds, all Bonds authenticated and delivered under the Bond Indenture as of the time in question, except:

- (a) All Bonds theretofore canceled or required to be canceled under the Bond Indenture;
- (b) Bonds for the payment or redemption of which provision has been made in accordance with the Bond Indenture; provided that, if such Bonds are being redeemed, the required notice of redemption has been given or provision satisfactory to the Bond Trustee shall have been made therefor, and that, if such Bonds are being purchased, there shall be a firm commitment for the purchase and sale thereof; and
- (c) Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to the Bond Indenture.

Tendered Bonds purchased by the Hospital or any member of the Obligated Group will continue to be Outstanding until the Hospital (with the consent of the Letter of Credit Bank if the Bonds have been purchased with moneys drawn under the Liquidity Facility) directs the Bond Registrar to cancel them.

“Paying Agent” means the bank or banks, if any, designated in accordance with the Bond Indenture to receive and disburse the principal of and interest on the Bonds. The initial Paying Agent is J.P. Morgan Trust Company, National Association.

“Purchase Price” of any Bond required to be purchased pursuant to the terms of the Bond Indenture means an amount equal to 100% of the principal amount of such Bond plus interest, if any, accrued thereon from the most recent Interest Payment Date for such Bonds to but not including the Purchase Date for such Bonds.

“Rate-Setting Agent” means the person appointed as Rate-Setting Agent in accordance with the Bond Indenture. The initial Rate Setting Agent is Piper Jaffray & Co.

“Rating Service” means a nationally recognized securities rating service which at the time has a credit rating assigned to the Bonds at the request of the Hospital.

“Remarketing Agent” means the placement or remarketing agent designated as the Remarketing Agent for purposes of the Bond Indenture. The initial Remarketing Agent is Piper Jaffray & Co.



“Replacement Project” means the construction and equipping of a new approximately 50-bed replacement hospital and any other health facility property (as defined in the Act).

“Special Record Date” means the date fixed by the Bond Trustee for the payment of Defaulted Interest.

“Tax Representation Certificate” means the Arbitrage and Tax Representation Certificate delivered by the Hospital and the Authority on the Closing Date.

“Tender Agent” means the commercial bank or trust company designated to act as the tender agent in accordance with the Bond Indenture. The initial Tender Agent is J.P. Morgan Trust Company, National Association.

“Trust Estate” means all right, title and interest of the Authority in and to: (a) the Loan Agreement (except for the payment for indemnification and administrative fees and expenses), (b) all funds and accounts established under the Bond Indenture (except for the Purchase Fund and Rebate Fund created under the Bond Indenture), (c) the 2005-1 Supplemental Master Trust Indenture, and (d) the 2005-1 Master Note and all security therefor pursuant to the Master Trust Indenture.

“2005-1 Master Note” means the 2005-1 Master Note issued by the Hospital under the 2005-1 Supplemental Indenture.

“2005-1 Supplemental Indenture” means the 2005-1 Supplemental Master Indenture, dated as of November 1, 2005, between the Hospital and the Master Trustee, under which the 2005-1 Master Note is issued.

“Weekly Mode” means any period of time, determined in accordance with the Bond Indenture, during which interest on the Bonds accrues at a Weekly Rate.

“Weekly Rate” means the rate of interest applicable to the Bonds bearing interest in the Weekly Mode which is determined in accordance with the provisions of the Bond Indenture.

## **SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE**

The following, in addition to information provided elsewhere in this Official Statement, summarizes certain terms and provisions of the Bond Indenture. Such summary does not purport to be comprehensive, and reference should be made to the Bond Indenture for more complete information. Copies of the Bond Indenture are available from the Bond Trustee upon request.

### **Pledge and Assignment**

Under the Bond Indenture, the Authority pledges to the Bond Trustee all of its right, title and interest in and to the Loan Agreement, subject to its right to indemnification and payment of administrative expenses; and the Authority further pledges to the Bond Trustee all funds and accounts established under the Bond Indenture (other than the Purchase Fund and the Rebate Fund), the 2005-1 Supplemental Indenture and the 2005-1 Master Note (which the Authority has assigned to the Bond Trustee) and in all security therefor pursuant to the Master Trust Indenture

to secure the payment of the Bonds and the performance and observance of the Authority's covenants under the Bond Indenture.

### **Disposition of Proceeds**

Upon the issuance and delivery of the Bonds, a portion of the proceeds will be deposited into the Project Fund held by the Bond Trustee. From the Project Fund, the Bond Trustee will pay a portion of the costs of issuance of the Bonds, a portion of the interest on the Bonds and a portion of the costs of the Replacement Project.

### **Revenue Fund**

The Bond Trustee will establish a Revenue Fund into which it will deposit all amounts payable pursuant to the Loan Agreement (or any payments which are received from the Master Trustee in respect of the 2005-1 Master Note or any Master Notes delivered by the Hospital as additional security under the Bond Indenture and credited against such Loan Agreement payments), and any other amounts required or permitted to be deposited therein pursuant to the provisions of the Bond Indenture. Monies so deposited into the Revenue Fund will be applied as specified in the Bond Indenture.

Prior to and including the Mode Adjustment Date on which the Bonds are converted to the Fixed Mode, if a Credit Facility is in effect, all payments of principal and interest on the Bonds will be made from Eligible Monies. The Bond Trustee will draw amounts under such Credit Facility, if then in effect, at such times and pursuant to draw requests submitted at such times so as to assure that Eligible Monies will be available to make when due all payments of principal of, redemption price and interest on (including the interest component of the Purchase Price of) the Bonds on and prior to the Conversion Date. In the Flexible Mode, with respect to the payment of regularly scheduled interest or the interest component of Purchase Price on the Bonds, while such payment is secured by a Liquidity Facility or Credit Facility that fails to cover the interest portion of the Purchase Price in the amount otherwise required by the Bond Indenture, the Bond Trustee will draw amounts under such Credit Facility on the first Business Day of each month in an amount equal to interest accrued on the Bonds during the preceding month for deposit to the appropriate account of the Bond Fund pending application to pay such interest.

### **Bond Fund**

The paying agent will establish and maintain a Bond Fund, the monies on deposit within which will be applied as follows:

- (i) to the payment of interest, when due, on all outstanding Bonds, including any accrued interest due in connection with purchases or redemptions of Bonds pursuant to the terms of the Bond Indenture; and
- (ii) to the payment, when due, of the principal of Bonds then payable at Maturity (but only upon surrender of such Bonds), subject to reduction by the principal amount of Bonds of the same maturity purchased by the Hospital and surrendered to the

Bond Registrar for cancellation or purchased for cancellation by the Bond Trustee pursuant to the Bond Indenture.

***Credit Facility Interest Account.*** The Paying Agent will establish and maintain a separate and segregated account in the Bond Fund, hereinafter called the “LOC Interest Account.” All proceeds of interest drawings under the applicable Credit Facility, if then in effect, received in connection with the payment of interest on the Bonds or any Interest Payment Date, at maturity or upon acceleration shall be deposited in the LOC Interest Account.

If such Credit Facility is then in effect, with respect to the Bonds, any funds remaining on deposit in the Bond Fund (exclusive of the LOC Interest Account) on any date on which a demand is made on such Credit Facility after payment (or deposit in the LOC Interest Account of an amount sufficient to pay) in full of all interest accrued on the Bonds on such date will be transferred by the Paying Agent, upon receipt of written instructions from such Credit Enhancer, for receipt by such Credit Enhancer in immediately available funds on such date, in the amount necessary to reimburse such Credit Enhancer for the interest portion of the draw on such Credit Facility on such date.

***Credit Facility Principal Account.*** The Paying Agent will establish and maintain a separate and segregated account within the Bond Fund, hereinafter called the “LOC Principal Account.” All proceeds of drafts drawn under the applicable Credit Facility to pay the principal of the Bonds at maturity or upon acceleration (hereinafter sometimes referred to as a “Principal Payment Date”) will be deposited in the LOC Principal Account.

If a Credit Facility is in effect and there are any funds remaining in the Bond Fund on any Principal Payment Date after payment (or deposit in the LOC Principal Account of an amount sufficient to pay) in full all interest and principal due on the Bonds on such date, there will be transferred by the Paying Agent, upon receipt of written instructions from such Credit Enhancer, for receipt in immediately available funds on such Principal Payment Date, amount necessary to reimburse such Credit Enhancer for the principal portion of the draw on such Credit Facility on such date.

## **Redemption Fund**

The Paying Agent will establish a Redemption Fund into which it will deposit such amounts as are required or permitted to be deposited therein pursuant to the provisions of the Bond Indenture. Monies in the Redemption Fund will be applied to the optional, mandatory or extraordinary redemption of the Bonds pursuant to the Bond Indenture.

The Paying Agent will also establish a separate account within the Redemption Fund, hereinafter called the “LOC Redemption Account.”

For so long as a Credit Facility is in effect, all proceeds of such Credit Facility drawn to make timely redemption payments other than upon maturity or acceleration will be deposited in the LOC Redemption Account and payments of the redemption price of Bonds (including principal and interest, and including premium to the extent permitted by such Credit Facility then in effect) of Bonds will be made, to the extent available, from Eligible Monies on deposit in the appropriate subaccount of the LOC Redemption Account.

In the event of (i) prepayment by or on behalf of the Hospital of amounts payable on the 2005-1 Master Note, (ii) receipt by the Bond Trustee of condemnation proceeds or insurance proceeds for purposes of redeeming Bonds or (iii) deposit with the Paying Agent by the Hospital or the Authority of monies from any other source for redeeming Bonds, all such funds except as otherwise provided in the Bond Indenture will be deposited in the Redemption Fund. Monies on deposit in the Redemption Fund (other than the LOC Redemption Account) will be used first to make up any deficiencies existing in the Bond Fund and second for the purchase or redemption of Bonds in accordance with the Bond Indenture.

For so long as a Credit Facility is in effect with respect to the Bonds, on any date on which such Bonds are redeemed from amounts on deposit in the LOC Redemption Account of the Redemption Fund after payment (or deposit in the LOC Redemption Account of an amount sufficient to pay) in full the redemption price of all Bonds redeemed on such date, any funds remaining on deposit in the Redemption Fund (exclusive of the LOC Redemption Account) will be transferred by the Paying Agent, upon receipt of written instructions from such Credit Enhancer, to such Credit Enhancer, for receipt in immediately available funds on such date, in the amount necessary to reimburse such Credit Enhancer for the draw made on such Credit Facility on such date to pay such redemption price.

#### **Application of Monies to Pay Bonds; Draws Under Credit Facility**

The foregoing paragraphs notwithstanding, at all times while a Credit Facility is in effect with respect to the Bonds that permits claims or draws for the payment of scheduled interest and principal, the Paying Agent will pay when due the principal of and interest on (except as otherwise provided by the Bond Indenture) such Bonds, whether at maturity, upon an Interest Payment Date, upon redemption or otherwise, from the following sources, in the order listed:

- ( ) Monies drawn under such Credit Facility by the Bond Trustee, if such Credit Facility is then in effect;
- (iii) Eligible Monies on deposit in the applicable LOC Account of the Bond Fund and the Redemption Fund;
- (iv) Any other Eligible Monies; and
- (v) Other monies paid to the Paying Agent by the Hospital.

Notwithstanding the foregoing, the Bond Trustee will not draw monies under the applicable Credit Facility to pay principal or interest on Bank Bonds.

The Paying Agent will maintain a record of the total amount from time to time on deposit in all accounts of each of the funds which constitute deposits therein from monies of the Hospital and the date of each such deposit, such amount being hereinafter sometimes referred to as the "Corporate Deposit" in the respective Funds. When the Bonds have been converted to the Fixed Mode, the separate accounts in the respective funds and the Purchase Fund, other than those in the Rebate Fund, will be terminated and all monies on deposit in such accounts will be held by the Paying Agent in the respective Funds without segregation or separate identification except

for the record required to be maintained by the Paying Agent of the amount of the Corporate Deposit.

The Bond Trustee will draw or claim monies under the applicable Credit Facility at all times when in effect in accordance with the terms thereof and the amounts available thereunder to make timely payments of: (i) principal of the Bonds by causing immediately available funds to be provided to the Paying Agent for deposit in the LOC Principal Account in the Bond Fund the monies required by the Bond Indenture; (ii) interest on the Bonds by causing immediately available funds to be provided to the Paying Agent for deposit in the LOC Interest Account in the Bond Fund the monies required by the Bond Indenture; and (iii) the redemption price of Bonds to be redeemed by causing immediately available funds to be provided to the Paying Agent for deposit in the LOC Redemption Account in the Redemption Fund the monies required by the Bond Indenture.

In no event will any monies other than Eligible Monies be used if such Credit Facility is in effect to pay the principal of or interest on the Bonds and if Eligible Monies are available for such payment or can be drawn under the applicable Credit Facility and applied to make such payment.

### **Project Fund**

The Bond Trustee will establish a separate fund known as the "Project Fund." Separate subaccounts will be established and designated as the "Expense Account," the "Project Account" and the "Funded Interest Account."

Monies held in the Project Fund will be disbursed by the Bond Trustee upon receipt by the Bond Trustee of a written request of the Hospital, as follows:

( ) a written request of the Hospital with respect to a withdrawal from the Project Account must state (a) a description of the portion of the Replacement Project for which reimbursement or payment is sought, including the cost of such portion of the Replacement Project, (b) that such costs have been incurred by the Hospital and have been paid or are to be paid by the Hospital, (c) that such costs are valid costs under the Act and that no part thereof was included in any prior financing under the Act or any prior written request under the Bond Indenture, (d) that all necessary permits and approvals presently required for that portion of the Replacement Project for which such withdrawal is being made have been issued and are in full force and effect, and (e) that such withdrawal is being made to reimburse the Hospital or pay a third party for the payment of the cost of the Replacement Project. The Bond Trustee shall not disburse funds from the Project Account with the prior approval of the Letter of Credit Bank of the written request.

(vi) a written request of the Hospital with respect to a withdrawal from the Expense Account must describe the nature of the fee or expense relating to the issuance of the Bonds and the amount of payment for which reimbursement is being sought and state that such costs have been incurred by the Hospital and have been paid or are to be

paid by the Hospital. The Bond Trustee shall not disburse funds from the Expense Account without the prior approval of the bank of the written request; and

(vii) a written request of the Hospital with respect to a withdrawal from the Funded Interest Account must set forth the amount to be paid to each Credit Enhancer on each Interest Payment Date to reimburse such Credit Enhancer for a portion of the draw on the applicable Credit Facility for interest due on such date; and

(viii) at such time as the Bond Trustee is furnished with a written request of the Hospital, the Bond Trustee will transfer any monies remaining in the Funded Interest Account and the Expense Account to the Project Account. Upon completion of the Replacement Project, the Hospital will present a written request of the Hospital directing the Bond Trustee to transfer any monies remaining in the Project Account on such date to the Bond Fund.

### **Purchase Fund**

There will be maintained with the Tender Agent on behalf of the Bond Trustee a separate fund, hereinafter called the "Purchase Fund." Upon receipt of payment representing the Purchase Price from the sources described in the Bond Indenture, the Bond Trustee will deposit such money in the Purchase Fund for application to the applicable account of such Purchase Price of the Bonds or reimbursement of such bank, as applicable.

### **Rebate Fund**

There will be created and established with the Bond Trustee under the Bond Indenture an additional trust fund designated as the "Rebate Fund." Pursuant to the Tax Representation Certificate, the Hospital is required to make certain computations and make certain payments to the United States of America in order to comply with its obligations under Section 148(f) of the Code. The Hospital is required to provide copies of such computations and evidence of such payment to the Bond Trustee on or before the respective payment dates specified in the Tax Representation Certificate. If the Bond Trustee does not receive copies of such computations and evidence of such payment on or prior to the respective payment date set forth in the Tax Representation Certificate, the Bond Trustee will request copies of such computations and evidence of payment immediately. Records of the computations and payments required under the Tax Representation Certificate must be retained by the Bond Trustee until six (6) years after the Bonds are no longer outstanding.

If the Hospital elects to make a deposit to the Rebate Fund, the Bond Trustee will accept such amounts from time to time and invest those amounts in accordance with the instructions of the Hospital. Upon written instructions from the Hospital, the Bond Trustee will disburse funds from the Rebate Fund to make payments required under the Tax Representation Certificate or transfer excess funds to the Hospital.

## Events of Default

Each of the following is an Event of Default under the Bond Indenture:

( ) if payment of any installment of interest on any Bond is not made when it becomes due and payable; or

( ) if payment of the principal, redemption price or Purchase Price of any Bond is not made when it becomes due and payable at maturity or upon call for redemption or tender or otherwise; or

( ) if there is a default under the Loan Agreement and such default gives the Authority the right to terminate the Loan Agreement; or

( ) if the Authority fails to comply with any provision of the Act or for any reason is rendered incapable of fulfilling its obligations thereunder or under the Bond Indenture; or

( ) if the Authority defaults in the due and punctual performance of any other covenant in the Bonds or in the Bond Indenture and such default continues for 30 days after written notice requiring the same to be remedied has been given to the Authority and the Hospital by the Bond Trustee, which may give such notice in its discretion and must give such notice at the written request of the holders of not less than 25% in principal amount of Bonds then outstanding; provided, however, that if such performance requires work to be done, actions to be taken, or conditions to be remedied, which by their nature cannot reasonably be done, taken or remedied, as the case may be, within such 30 day period, no Event of Default will be deemed to have occurred or exist if and so long as the Authority or the Hospital commences such performance within such 30 day period and diligently and continuously prosecutes the same to completion; or

( ) if there is an Event of Default under the provisions of the Master Trust Indenture; or

( ) if the Bond Trustee receives a notice that there is an Event of Default under any Credit Documents or any Bank Agreements has occurred and is continuing and a direction by the Credit Enhancer or the bank to accelerate the maturity of the Bonds, or and a demand by either Credit Enhancer or either bank for acceleration; or

( ) if the Bond Trustee receives a notice from the Letter of Credit Bank or Credit Enhancer to the effect that the available amount under the Liquidity Facility or the Credit Facility attributable to any interest drawing thereunder will not be reinstated.

The Bond Trustee will give Immediate Notice to the Authority, each Credit Enhancer, each bank, the Paying Agent, the Tender Agent, the Bond Registrar and the Hospital of the occurrence of any Event of Default of which it has notice or knowledge as soon as practicable. In addition, the Bond Trustee will notify the Master Trustee of such occurrence if it constitutes an “Event of Default” under the Master Trust Indenture or, upon the giving of notice and with the passage of time thereafter, it will constitute an “Event of Default” under the Master Trust

Indenture. However, no such notice will be given to the Master Trustee unless directed by any Credit Enhancer or the holders of at least 25% in aggregate principal amount of all Outstanding Bonds.

### **Remedies, Acceleration and Annulment**

Subject to the rights of the applicable Credit Enhancer as set forth below, upon the occurrence of any Event of Default, the Bond Trustee may pursue any available remedy including a suit at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Bonds outstanding and may request payment under the applicable Credit Facility if then in effect.

Upon the occurrence of any Event of Default under (i), (ii), (vii) or (viii) above, the Bond Trustee will, by Immediate Notice to the Bondholders, declare the principal of all Bonds then outstanding to be immediately due and payable, and upon such declaration the said principal, together with interest accrued thereon, will become due and payable immediately at the place of payment provided therein. Interest shall cease to accrue on the date of declaration of acceleration.

Subject to the rights of the applicable Credit Enhancer as set forth below, if any Event of Default has occurred and is continuing, the Bond Trustee may, and at written direction of the holders of 25% in principal amount of the Bonds then Outstanding must, by notice in writing to the Authority, declare the principal of all Bonds then outstanding to be immediately due and payable, and upon such declaration the said principal, together with interest accrued thereon, will become due and payable immediately at the place of payment provided therein. However, no such declaration will be made if the Hospital cures such Event of Default prior to the date of the declaration.

If after the principal of the Bonds has been so declared to be due and payable, all arrears of interest upon the Bonds (and interest on overdue installments of interest at the maximum rate permitted by law) are paid by the Authority, and the Authority also performs all other things in respect to which it may have been in default under the Bond Indenture and pays the reasonable charges of the Bond Trustee and the Bondholders, including reasonable attorney's fees, and, prior to the Conversion Date for Bonds, such Credit Facility and Liquidity Facility, if any, are reinstated in full and the Event of Default has been waived as indicated by a written notice from the respective provider, then, and in every such case, except that in which a declaration of acceleration of the 2005-1 Master Note has not been annulled pursuant to the terms of the Master Trust Indenture, the Bond Trustee may annul such declaration and its consequences and such annulment will be binding upon the Bond Trustee and upon all holders of Bonds; but no such annulment will extend to or affect any subsequent default or impair any right or remedy consequent thereon.

Notice of any acceleration of the Bonds pursuant to the provisions of the Bond Indenture shall also be given by the Bond Trustee to the Rating Service.

Notwithstanding any other provision in the Bond Indenture, if a Credit Facility is in effect with respect to the Bonds, the Bond Trustee will draw under such Credit Facility, on the



same day as such acceleration occurs, in an amount equal to the amount available under such Credit Facility, required in order to provide for the payment in full of the principal and interest on the Bonds due or to become due by reason of such acceleration (excluding Bonds owned by the Hospital or any other member of the Obligated Group) and will immediately take such actions and give such notice as may be required to pay or redeem the Outstanding Bonds entitled to the benefits of such Credit Facility. Upon such payment in full of the drawing under such Credit Facility, the Bond Trustee will, notwithstanding any other provisions of the Bond Indenture, (i) transfer or direct the Paying Agent in writing to transfer all excess monies in any and all funds and accounts thereunder (except the Rebate Fund) to such Credit Enhancer and (ii) exercise such remedies and take such actions, only in accordance with the written directions of such Credit Enhancer. Only if such draw is not paid in full in accordance with the terms of such Credit Facility may the Bond Trustee proceed to exercise any other or further remedies provided in the Bond Indenture or otherwise.

### **Entry by Bond Trustee**

Subject to the rights of the applicable Credit Enhancer as set forth below, if any Event of Default has occurred and is continuing, the Bond Trustee, before or after declaring the principal of the Bonds immediately due and payable, (a) may enforce each and every right granted to the Authority under the Loan Agreement, and (b) insofar as such right may be lawfully conferred upon the Bond Trustee, may, by its agents or attorneys, with or without process of law, enter upon and take and maintain possession of all or any part of the Trust Estate, together with all records, documents, books, papers and accounts of the Authority relating thereto, and may, as the attorney in fact or agent of the Authority, being thereunto duly authorized or in its own name as Bond Trustee, hold, manage, and operate such Trust Estate and collect the amounts payable by reason of such operation. After paying the expenses of operation and maintenance, including such repairs, replacements, alterations, additions and improvements as it deems proper, the Bond Trustee will apply the balance of the Trust Estate as provided in the Bond Indenture.

### **Legal Proceedings by Bond Trustee**

Subject to the rights of the applicable Credit Enhancer as set forth below, if any Event of Default has occurred and is continuing, the Bond Trustee in its discretion may, and upon the written request of the holders of 25% in principal amount of the Bonds then outstanding and receipt of indemnity to its satisfaction must, in its own name:

- ( ) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, including the right to require the Authority to charge and collect rates, rentals and other charges adequate to carry out the terms of the Bond Indenture and to require the Authority to carry out any other agreements with, or for the benefit of, the Bondholders and to perform its duties under the Act;

- (ix) bring suit upon the Bonds and/or 2005-1 Master Note;

- (x) by action or suit in equity require the Authority to account as if it were the trustee of an express trust for the Bondholders; and

(xi) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

### **Discontinuance of Proceedings by Bond Trustee**

If any proceedings taken by the Bond Trustee on account of any Event of Default are discontinued or is determined adversely to the Bond Trustee, the Authority, the Bond Trustee and the Bondholders shall be restored to their former positions and rights under the Bond Indenture as though no such proceeding had been taken.

### **Bondholders May Direct Proceedings**

Subject to the rights of the applicable Credit Enhancer as set forth hereinafter, the holders of a majority in principal amount of the Bonds then Outstanding will have the right to direct the method and place of conducting all remedial proceedings by the Bond Trustee, provided such directions will not be otherwise than in accordance with law or the provisions of the Bond Indenture, and that the Bond Trustee will have the right to decline to follow any such direction which in the opinion of the Bond Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

### **Limitations on Actions by Bondholders**

Subject to the rights of the applicable Credit Enhancer as set forth below, no Bondholder will have any right to pursue any remedy under the Bond Indenture unless (a) the Bond Trustee has been given written notice of any Event of Default, and the continuance thereof, (b) the holders of at least 25% in principal amount of the Bonds then outstanding have requested the Bond Trustee, in writing, to exercise the powers granted under the Bond Indenture or to pursue such remedy in its own or name as Bond Trustee; (c) the Bond Trustee has been offered indemnity satisfactory to it against costs, expenses and liabilities, and (d) the Bond Trustee has failed to comply with such request within 30 days.

### **Bond Trustee May Enforce Rights Without Possession of Bonds**

All rights under the Bond Indenture and the Bonds may be enforced by the Bond Trustee without the possession of any Bonds or the production thereof at the trial or other proceedings relative thereto, and any proceeding instituted by the Bond Trustee shall be brought in its name for the ratable benefit of the holders of the Bonds.

### **Remedies Not Exclusive**

No remedy conferred under the Bond Indenture is intended to be exclusive of any other remedy or remedies, each remedy is in addition to every other remedy given under the Bond Indenture or now or hereafter existing at law or in equity or by statute.

### **Delays and Omission Not to Impair Rights**

No delay or omission in respect of exercising any right or power accruing upon any default shall impair such right or power or be a waiver of such default, and every remedy given

by the Bond Indenture may be exercised from time to time and as often as may be deemed expedient.

### **Application of Monies in Event of Default**

(a) Subject to the provisions of the Bond Indenture and provided that amounts drawn under a Liquidity Facility or a Credit Facility, if any, and any Eligible Monies available therefor will be applied solely to pay the principal of and interest on the Bonds (or only Purchase Price in case of the Liquidity Facility where a Liquidity Facility is in effect) and will not be applied to pay any costs or expenses of collection or expenses, liabilities or advances of the Bond Trustee, or to restore any deficiency in the Rebate Fund, all monies received by the Bond Trustee pursuant to any right given or action taken under the provisions of the Bond Indenture will, after payment of the cost and expenses of the proceedings resulting in the collection of such monies and of the expenses, liabilities and advances incurred or made by the Bond Trustee, be deposited in the Revenue Fund or in the case of proceeds of a Credit Facility, the LOC Principal Account and the LOC Interest Account of the Bond Fund, and together with all monies in the Funds maintained by the Bond Trustee under the Bond Indenture, will be applied as follows:

(i) Unless the principal of all the Bonds has become or has been declared due and payable, all such monies will be applied:

First: To eliminate any deficiency in the Rebate Fund;

Second: To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of maturity of the installments of such interest, and, if the amount available is not sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

Third: To the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which have become due (other than the Bonds called for redemption for the payment of which monies are held pursuant to the provisions of the Bond Indenture), in the order of their due dates, and, if the amount available is not sufficient to pay in full the Bonds due on any particular date, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or privilege;

(ii) If the principal of all the Bonds has become due or has been declared due and payable, all such monies will be applied to eliminate any deficiency in the Rebate Fund and then to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or privilege; and

(iii) If the principal of all the Bonds has been declared due and payable, and if such declaration has thereafter been rescinded and annulled under the provisions of the Bond Indenture, then, subject to the provisions outlined in paragraph (b) below, in the event that the principal of all the Bonds later becomes due or is declared due and payable, the monies will be applied in accordance with paragraph (a) described above.

(b) Whenever monies are to be applied by the Bond Trustee pursuant to this paragraph (b) such monies will be applied by it at such times, and from time to time, as the Bond Trustee determines, having due regard for the amount of such monies available for application and the likelihood of additional monies becoming available for such application in the future. Whenever the Bond Trustee applies such monies, it will fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date will cease to accrue. The Bond Trustee will give notice of the deposit with it of any such monies and of the fixing of any such date and of the Special Record Date in accordance with the provisions of the Bond Indenture 10 days prior to the Special Record Date. The Paying Agent will not be required to make payment to the holder of any unpaid Bond until such Bond is presented to the paying agent for appropriate endorsement or for cancellation if fully paid.

(c) Whenever all Bonds and interest thereon have been paid under the provisions described above and all expenses and charges of the Bond Trustee, the Paying Agent, the Tender Agent and the Bond Registrar have been paid, any balance remaining will be paid to the Letter of Credit Bank to pay any Bank Obligation, and to the applicable Credit Enhancer to pay any Credit Obligation, with any remaining balance, thereafter, to the Hospital.

### **Rights of Credit Enhancer Controlling**

Anything in the Bond Indenture to the contrary notwithstanding, if the applicable Credit Facility is in effect and such Credit Enhancer is not in default of its obligations to make payment thereunder, such Credit Enhancer will be deemed to be the owner of all Bonds Outstanding, with the exclusive right to exercise or direct the exercise of remedies on behalf of the owners of the Bonds in accordance with the Bond Indenture following an Event of Default, and the principal of all Bonds Outstanding may not be declared to be due and payable immediately without the prior written consent of such Credit Enhancer; provided following an Event of Default described in the Bond Indenture, such written consent of such Credit Enhancer will not be required prior to acceleration.

The Bond Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Bond Trustee and the Bondholders allowed in any judicial proceedings relative to the Hospital, any Credit Enhancer or any Letter of Credit Bank or its creditors or its property, and, unless prohibited by law or applicable regulations, may vote on behalf of the holders in any election of a trustee in bankruptcy or other person performing similar functions. The Bond Trustee fees and expenses are intended to constitute administrative expenses in a bankruptcy.

## **Amendments and Supplements**

Without the consent of the holders of any Bonds, the Bond Indenture may be amended or supplemented from time to time, but upon consent of the Letter of Credit Bank and/or the Credit Enhancer, if either or both are then providing a Liquidity Facility or Credit Facility with respect to the Bonds and are then not in default under the Credit Facility or Liquidity Facility, by a Supplemental Indenture authorized by a Certified Resolution of the Authority filed with the Bond Trustee, for one or more of the following purposes:

(i) To add to the covenants of the Authority or to surrender any right or power conferred upon the Authority in the Bond Indenture; or

(ii) To cure any ambiguity, to cure, correct or supplement any defective (whether because of any inconsistency with any other provision of the Bond Indenture or otherwise) provision in the Bond Indenture which may be inconsistent with any other provision of the Bond Indenture, or to make any other revision which shall not materially impair the security of the Bond Indenture or materially adversely affect the Bondholders; or

(iii) To add, delete or revise provisions required in connection with the issuance of an alternate Credit Facility or an alternate Liquidity Facility with respect to a Series of Bonds; or

(iv) to obtain, maintain or upgrade a rating on the Bonds; or

(v) To permit the use of a book entry system of bonds in lieu of certificates.

The Bond Indenture may be amended from time to time, if the amendment is approved by each Bank and/or each Credit Enhancer (if either or both are then providing a Liquidity Facility or Credit Facility with respect to the Bonds and are then not in default under its Bank Agreements or Credit Documents) and approved by the holders of at least 51% in aggregate principal amount of the Bonds then Outstanding. However, no amendment may be made which affects the rights of some but less than all the Outstanding Bonds without the consent of the holders of 51 % of the Bonds so affected. Further, no amendment which alters the interest rates on any Bonds, the maturities, interest payment dates or redemption provisions of any Bonds, the provisions of the Bond Indenture concerning amendments thereof, or the security provisions under the Bond Indenture may be made without the consent of the holders of all Outstanding Bonds adversely affected thereby.

The Bond Trustee is authorized to join with the Authority in the execution and delivery of any Supplemental Indenture, supplemental lease, supplemental loan agreement or amendment permitted by the Bond Indenture, and in so doing shall be fully protected by an Opinion of Counsel that such Supplemental Indenture, supplemental lease, supplemental loan agreement or amendment is so permitted and has been duly authorized by the Authority and that all things necessary to make it a valid and binding agreement have been done.

The Authority and the Bond Trustee will, without the consent or notice to the Bondholders, but upon prior written consent of each Letter of Credit Bank and/or each Credit

Enhancer (if either or both are then providing a Liquidity Facility or Credit Facility with respect to the Bonds and are then not in default under its Bank Agreements or Credit Documents) consent to amend, change or modify the Loan Agreement as may be required or otherwise permitted (i) by the provisions of the Loan Agreement or the Bond Indenture, (ii) for the purpose of curing any ambiguity, defect, inconsistent provision or omission in the Loan Agreement, or (iii) in connection with any other change therein which, in the judgment of the Bond Trustee, is not to the material prejudice of the holders of the Bonds.

In addition, the Authority and the Bond Trustee may amend, change or modify the Loan Agreement with the written approval or consent of the holders of not less than 51% in aggregate principal amount of the Bonds then Outstanding and upon prior written consent of each Letter of Credit Bank and/or each Credit Enhancer (if either or both are then providing a Liquidity Facility or Credit Facility with respect to the Bonds and are then not in default under its Bank Agreements or Credit Documents).

Anything in the Bond Indenture to the contrary notwithstanding, any amendment or supplement to the Bond Indenture which affects any rights, powers, liabilities or obligations of the Tender Agent, the Paying Agent, the Bond Registrar, the Rate-Setting Agent or the Remarketing Agent shall not become effective unless and until the Tender Agent, the Paying Agent, the Bond Registrar, the Rate-Setting Agent or the Remarketing Agent shall have consented to such amendment or supplement. The Bond Trustee agrees to furnish to the Tender Agent, the Paying Agent, the Bond Registrar, the Rate-Setting Agent and the Remarketing Agent a copy of any amendment or supplement to the Bond Indenture, promptly upon the execution thereof, whether or not the consent of the Tender Agent, the Paying Agent, the Bond Registrar, the Rate-Setting Agent or the Remarketing Agent is required under the Bond Indenture.

So long as a Credit Facility is in full force and effect and such Credit Enhancer has not failed to honor any draws or is not in default of its payment obligations thereunder, such Credit Enhancer will be deemed to be the holder of the Bonds for purposes of obtaining consent of the holders of the Bonds as described above.

## **Defeasance**

When interest on, and principal or redemption price (as the case may be) of all Bonds have been paid and all Bank Obligations and Credit Obligations have been paid, or there has been deposited with the Bond Trustee an amount, evidenced by monies or non-callable Government Obligations the principal of and interest on which, when due, will provide sufficient monies to fully pay the Bonds at the maturity date or date fixed for redemption thereof, as well as all other sums payable under the Bond Indenture by the Hospital to the Letter of Credit Bank and the Credit Enhancer including all compensation and expenses of the Bond Trustee, the right, title and interest of the Bond Trustee will thereupon cease and the Bond Trustee, on demand of the Authority, will release the Bond Indenture and will execute such documents to evidence such release as may be reasonably required by the Authority and will turn over to the Authority or to such person, body or authority as may be entitled to receive the same all balances remaining in any funds under the Bond Indenture. At all times while a Credit Facility secures the Bonds, all monies used to defease the Bonds and all monies used to purchase Government Obligations employed for such purpose will constitute Eligible Monies.

## **SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT**

The following, in addition to information provided elsewhere in this Official Statement, summarizes certain terms and provisions of the Loan Agreement. Such summary does not purport to be comprehensive, and reference should be made to the Loan Agreement for more complete information. Copies of the Loan Agreement are available from the Bond Trustee upon request.

Under the Loan Agreement, the Authority will loan to the Hospital the proceeds of the Bonds for the purpose of (i) constructing, acquiring, renovating or equipping certain health facility property, (ii) paying for interest during construction, (iii) paying for credit enhancement on the Bonds and (iv) financing certain costs of issuance in connection therewith. As evidence of its obligation to repay such loan, together with interest and premium, if any, thereon, the Hospital will issue and deliver to the Authority the 2005-1 Master Note. The 2005-1 Master Note will be issued in an amount equal to the aggregate principal amount of the Bonds, will be payable in installments at the same times as the maturities and mandatory redemption terms of the Bonds (subject to certain credits), will be subject to optional redemption at the same times and with the same redemption premiums, if any, as are applicable to the Bonds, and will bear interest on unpaid installments of principal equal to the interest rates per annum on the Bonds (subject to certain credits).

The 2005-1 Master Note will be registered in the name of the Bond Trustee, and the Bond Trustee for the Bonds will use the payments made on such 2005-1 Master Note to pay the debt service on the Bonds. Except as provided in the Loan Agreement and the Bond Indenture, the loan to be made under the Loan Agreement is to be evidenced solely by the 2005-1 Master Note and the obligation to make loan repayments does not exist separate or independent of the 2005-1 Master Note.

In addition, the Loan Agreement contains covenants of the Hospital relating to indemnification of the Authority and the Bond Trustee, and to the application of the proceeds of the sale of the Bonds.

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## **APPENDIX C**

### **SUMMARY OF MASTER TRUST INDENTURE, SUPPLEMENTS, AND MASTER MORTGAGE**

#### **DEFINITIONS**

The following definitions are used in the Master Trust Indenture, the Supplements thereto, the Master Mortgage and this Appendix C

“Accounts” means, collectively, all accounts (as defined in the UCC), accounts receivable, other receivables, contracts, contractual rights, tax refunds or other obligations or indebtedness owing to any Obligated Issuer of any kind or description, secured or unsecured, now or hereafter existing, whether or not arising out of or in connection with the payment for goods sold or leased for services rendered, whether or not earned by performance, and all sums of money or other proceeds due or not earned by performance, all sums of money or other proceeds due or becoming due thereon, together with all rights now or hereafter existing under guarantees and collateral security therefor and under leases and other contracts securing, guaranteeing or otherwise relating to any of the foregoing, including without limitation (a) all rights to receive any performance or any payments in money or in kind; (b) all right, title and interest in and to the goods, services or other property that give rise to or that secure any of the foregoing, and insurance policies and proceeds thereof relating thereto; (c) all rights as an unpaid seller of goods and services including, without limitation, all rights or stoppage in transit, replevin, reclamation and resale; (d) all rights to receive any Medicare/Medicaid Receivables or rights to payments under any other federal programs or state and local governmental programs providing for the payment of or reimbursement for services rendered, and private insurance program (including without limitation, prepaid health organizations, including health maintenance organizations or preferred provider organizations), in each case only to the extent permitted under applicable law; (e) reversionary interest in pension and profit-sharing plans, and reversionary, beneficial and residual interest in trusts, credits with and any other claims against any Person; and (f) all ledger sheets, files, records and documents relating to any of the foregoing, including all computer records, programs, storage media and computer software used or required in connection therewith.

“Additional Indebtedness” means any Indebtedness (including Notes) incurred subsequent to the date of issuance of the 2005-1 Master Note and any the other Notes issued on the date of issuance of the 2005-1 Master Note.

“Balloon Indebtedness” means Indebtedness, 25% or more of the original principal of which matures during any consecutive twelve month period, if such maturing principal amount is not required to be amortized below such percentage by mandatory redemption or prepayment prior to such twelve month period. The foregoing notwithstanding, Balloon Indebtedness does not include (i) Indebtedness which otherwise would be classified under the Master Trust Indenture as Short-Term Indebtedness, Interim Indebtedness or Put Indebtedness or (ii) Indebtedness which is amortized on a substantially level debt service basis.

“Bank Note” means initially the Series 2005-2 Note of Hospital issued under the Master Trust Indenture, as supplemented by the Series 2005-2 Supplemental Master Indenture, dated as of November 1, 2005, between the Hospital and the Master Trustee.

“Book Value” means (i) when used in connection with Property of any Obligated Issuer, the value of such Property as it is carried on the books of account of such Person and in conformity with generally accepted accounting principles and (ii) when used in connection with Property of the Obligated Group, the aggregate of the values so determined with respect to the Property of each member of the Obligated Group.

“Commitment Indebtedness” means the obligation of any Obligated Issuer to repay amounts disbursed pursuant to a commitment from a financial institution to refinance or purchase when due, when tendered or when required to be purchased (a) other Indebtedness of such Obligated Issuer, or (b) Indebtedness of a Person who is not an Obligated Issuer, which Indebtedness is guaranteed by a Guaranty of such Obligated Issuer or secured by or payable from amounts paid on Indebtedness of such Obligated Issuer, in either case which Indebtedness or Guaranty of such Obligated Issuer was incurred in accordance with the provisions of the Master Trust Indenture, and the obligation of any Obligated Issuer to pay interest payable on amounts disbursed for such purposes, plus any fees, costs or expenses payable to such financial institution for, under or in connection with such commitment, in the event of disbursement pursuant to such commitment or in connection with enforcement thereof, including without limitation any penalties payable in the event of such enforcement.

“Completion Indebtedness” means any Long-Term Additional Indebtedness incurred by any Obligated Issuer for the purpose of financing (i) the improvement, replacement, renovation or substitutions for, or additions to, facilities for which Long-Term Indebtedness or Interim Indebtedness has been incurred, necessitated by faulty design, damage to or destruction of such facilities or (ii) the completion of facilities for which Long-Term Indebtedness or Interim Indebtedness has been issued or incurred.

“Debt Service Coverage Ratio” means the ratio for the Fiscal Year in question of Net Income Available for Debt Service to the aggregate maximum annual scheduled debt service (taking into consideration the mandatory sinking fund redemption payments or deposits but excluding any requirement to pay principal or interest on any obligation to the extent that Irrevocable Deposits sufficient to pay such principal or interest have been made) of the Hospital and each other Obligated Issuer on Long-Term Indebtedness for any succeeding Fiscal Year, determined on a pro forma consolidated or combined basis in accordance with generally accepted accounting principles with the elimination of material inter-company balances and transactions; provided, however, that for purposes of calculating such ratio:

- ( ) Guaranties by any member of the Obligated Group of Indebtedness of any other member of the Obligated Group and obligations owed by one member of the Obligated Group to any other member of the Obligated Group shall be excluded;

- ( ) The interest for any Long-Term Indebtedness with an interest rate, which changes from time to time during the term thereof and which cannot at the date of such

calculation be determined for the period under consideration, shall be calculated as if the interest rate on such Long-Term Indebtedness were the Projected Rate; and

( ) The principal and interest due on Balloon Indebtedness shall be treated as Long-Term Indebtedness under the assumptions set forth under the caption “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER Trust INDENTURE – Permitted Additional Indebtedness”; and

( ) The principal and interest due on Interim Indebtedness shall be treated as Long-Term Indebtedness under the assumptions set forth “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER Trust INDENTURE – Permitted Additional Indebtedness”; and

( ) The principal and interest due on Put Indebtedness shall be treated as Long-Term Indebtedness under the assumptions set forth in “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER Trust INDENTURE – Permitted Additional Indebtedness”.

“Excluded Property” means Property of any Obligated Issuer as set forth in the Master Trust Indenture.

“Fair Market Value” means the value established for Operating Assets pursuant to an appraisal made by a Person appointed by the Obligated Group Representative and experienced in appraising the value of assets similar or identical to the Operating Assets and who is not an employee, director, partner or officer of any member of the Obligated Group and has no direct financial interest or any material indirect financial interest in any member of the Obligated Group, other than the payment to be received under a contract for services to be performed by such Person.

“Federal Securities” means: (i) direct obligations of, or obligations the full and timely payment of the principal of and interest on which is unconditionally guaranteed by, the United States of America (the “United States Obligations”); or (ii) any certificates or other evidences of ownership interest in obligations of the character described in (i) or in specified portions thereof issued by a member firm of the National Association of Securities Dealers or by a commercial bank having a combined capital and surplus of not less than \$100,000,000, including, without limitation, portions consisting solely of the principal thereof or solely of the interest thereon, provided (a) a bank or trust company acts as custodian and holds the underlying United States Obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States Obligations; and (c) the underlying United States Obligations are held in a special account separate from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; or (iii) obligations of any state of the United States or any political subdivision thereof (the “Municipal Obligations”), the full payment of principal of, premium, if any, and interest on which are provided for by an Irrevocable Deposit of United States Obligations provided (a) such investment is permitted by applicable law, (b) such United States Obligations are held by an escrow agent or trustee, (c) such United States Obligations are not available to satisfy any other

claim including those of the trustee or escrow agent, (d) the Municipal Obligations are not redeemable prior to maturity thereof or the trustee for such Municipal Obligations has been given irrevocable instructions concerning the calling and redemption and has irrevocably waived the right to redeem such obligations at any other time, (e) the principal of and interest on the United States Obligations (together with any cash in the escrow) are sufficient to meet the liabilities of the Municipal Obligations; and (f) such Municipal Obligations are rated in the highest rating categories by a Rating Agency.

“Fiscal Year” means a period of twelve consecutive months constituting the fiscal year of the Hospital commencing on the first day of October of any year and ending on the last day of the following September, both inclusive, or such other period as hereafter may be established from time to time for budgeting and accounting purposes of the Hospital.

“Funded Indebtedness Ratio” means the ratio of the principal amount of Indebtedness of the Obligated Group to the sum of such Indebtedness and the Unrestricted Net Assets of the Obligated Group.

“General Intangibles” means the right to use all general intangibles (as such term is defined in Section 9.1-102(42) of the UCC) of any Obligated Issuer including, without limitation, trademarks, copyrights, patents, contracts, licenses, and franchises, trade names, computer programs and other computer software, inventions, designs, trade secrets, goodwill, proprietary rights, customer lists, supplier contracts, sale orders, correspondence and advertising materials.

“Governing Body” means (i) (A) the board of directors or the board of trustees of any Obligated Issuer, if applicable, or (B) if there shall be no board of directors or board of trustees, such person or body which pursuant to law or the organizational documents of any Obligated Issuer, if applicable, is vested with powers similar to those vested in a board of directors or a board of trustees and (ii) any committee empowered to act on behalf of such board or body.

“Governmental Issuer” means any state of the United States of America or any municipal corporation or other political subdivision formed under the laws thereof or any body corporate and politic or any constituted authority or any agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof.

“Gross Revenues” means all cash and other receipts, present and future Accounts, receivables, contracts and contract rights (including particularly those between each Obligated Issuer and the State or any other state with respect to Medicaid, each Obligated Issuer and third-party insurers of any patients of each Obligated Issuer, and each Obligated Issuer and the United States of America with respect to Medicare and all other equivalent insurance programs, or any state or federal program substituted in lieu thereof), General Intangibles, documents and instruments, which are now owned or hereafter acquired by each Obligated Issuer, and all proceeds therefrom, whether cash or noncash, and which are derived by each Obligated Issuer from the conduct of all or any part of their respective operations, and all revenue and income of each Obligated Issuer from whatever source derived, including income from the principal of investments, leases and income received from leases, and grants received by each Obligated Issuer from any source, but excluding only Restricted Moneys of the Obligated Issuers.

“Guaranty” means, when used in connection with a particular person, all obligations of such Person guaranteeing or in effect guaranteeing any indebtedness or other obligation of any other Person (the “primary obligor”) in any manner, whether directly or indirectly, including, but not limited to, obligations incurred through an agreement, contingent or otherwise, by such Person:

- ( ) to purchase such indebtedness or obligation or any Property or assets constituting security therefor;

- (xvi) to advance or supply funds:

- (A) for the purchase or payment of such indebtedness or obligation, or

- (B) to maintain working capital or other balance sheet condition or otherwise to advance or make available funds for the purchase or payment of such indebtedness or obligation;

- (xvii) any income of physicians (or entities controlled by such physicians) who are at the date of, or will become pursuant to the contract creating such obligation, members of the medical staff of such Obligated Issuer and any obligation of any Obligated Issuer to guaranty the income of other professionals or managers which obligations the Obligated Issuer considers necessary or appropriate in recruiting and retaining its professional and managerial staff; provided, however, that guaranties of indebtedness (which for purposes of this definition do not include guaranties of income) shall be excluded under this clause (iii) to the extent that the aggregate amount thereof does not exceed 5% of the Net Patient Service Revenues of the Obligated Group in the most recent Fiscal Year for which audited financial statements of the Obligated Group are available.

- (xviii) to lease Property or to purchase securities or other Property or services primarily for the purpose of assuring the owner of such indebtedness or obligation of the ability of the primary obligor to make payment of the indebtedness or obligation; or

- (xix) otherwise to assure the owner of the indebtedness or obligation of the primary obligor against loss in respect thereof;

provided, however, that notwithstanding the foregoing, none of the following shall be deemed to constitute a Guaranty: (V) the endorsement in the ordinary course of business of negotiable instruments for deposit or collection, (W) the discount or sale with recourse of any such Person's notes receivable or accounts receivable, (X) rentals payable in future years under leases, other than leases properly capitalized under generally accepted accounting principles, and (Y) payments required to be deposited into any reserve funds pursuant to the provisions of any Related Bond Indenture.

“Hospital” means The Board of Trustees of Harrison County Hospital, a body corporate and politic duly organized and validly existing under the laws of the State including particularly I.C. 16-22, and any permitted successor to such Hospital under the Master Trust Indenture.

“Indebtedness” means any indebtedness of a Person for the repayment of borrowed money, any lease of real or personal property which, in accordance with generally accepted accounting principles, is required to be capitalized on the balance sheet of the lessee, installment purchase contracts and guarantees of indebtedness, which are shown as a liability on the balance sheet of such Person or which are properly capitalized on the balance sheet of such Person in accordance with generally accepted accounting principles (including indebtedness evidenced by Notes issued under the Master Trust Indenture and indebtedness not evidenced by Notes under the Master Trust Indenture).

“Independent Accountants” means either the State Board of Accounts or a firm of independent certified public accountants selected by any Obligated Issuer which shall not have a partner, director, officer or substantial stockholder who is either an employee, director or officer of any Obligated Issuer, or a subsidiary of either, or an employee, director or elected official of any Related Issuer.

“Independent Consultant” means a firm (i) which shall not have a partner, director, officer or substantial stockholder who is either an employee, director or officer of any Obligated Issuer, or a Subsidiary of either, or an employee, director or elected official of any Related Issuer and (ii) which shall be appointed by any Obligated Issuer, and shall be qualified to pass upon questions relating to the financial affairs of organizations engaged in like operations to those of members of the Obligated Group and which shall have a favorable national reputation for skill and experience in such financial affairs.

“Independent Insurance Consultant” means a firm (i) which shall not have a partner, director, officer or substantial stockholder who is either an employee, director or officer of any Obligated Issuer, or a Subsidiary of either, or an employee, director or elected official of any Related Issuer, and (ii) which shall be appointed by any Obligated Issuer, shall be qualified to survey risks and to recommend insurance coverage for the type or types of activities conducted and facilities operated by the members of the Obligated Group, and which may be a broker or agent with whom any Obligated Issuer, or any Subsidiary of either, transacts business so long as the other qualifications set forth in this definition are satisfied.

“Insurance Subsidiary” means any Subsidiary which is in the business of providing insurance coverage to any Obligated Issuer or any Subsidiary of either.

“Interest Rate Agreement” means an interest rate exchange, hedge or similar agreement, entered into by an Obligated Issuer, which agreement may include, without limitation, an interest rate swap, a basis swap, an index swap or option, a forward or futures contract or an option (e.g. a call, put, cap, floor or collar) and which agreement does not constitute an obligation to repay money borrowed, credit extended or the equivalent thereof. An Interest Rate Agreement shall not constitute Indebtedness under the Master Trust Indenture.

“Interim Indebtedness” means Interim Indebtedness described under “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE – Permitted Additional Indebtedness.”

“Irrevocable Deposit” means the irrevocable deposit in trust of cash in an amount (and/or Federal Securities the principal of and interest on which will be in an amount) and under terms sufficient to pay all or a portion of the principal of and interest on, as the same shall become due, any Indebtedness which would otherwise be considered Outstanding. The trustee of such deposit may be the Master Trustee, a Related Bond Trustee or any other trustee authorized to act in such capacity.

“Issuer” means the Hospital or any other Obligated Issuer, depending on the context.

“Long-Term” means (i) when used in connection with Indebtedness (other than Guaranties), Indebtedness having an original maturity greater than one year or renewable at the option of any Obligated Issuer for a period greater than one year from the date of original issuance thereof, but shall not mean Short-Term Indebtedness or Interim Indebtedness, and (ii) when used in connection with Indebtedness represented by any Guaranty (other than any Guaranty by any member of the Obligated Group of Indebtedness of any other member of the Obligated Group), any such Indebtedness; provided, however, that, so long as any such Guaranty shall constitute a contingent liability under generally accepted accounting principles, for the purposes of any covenants in the Master Trust Indenture or any computation provided for therein, the aggregate annual principal and interest payments on any Long-Term Indebtedness represented by such Guaranty shall be deemed to be equal to 20% of the principal and interest which would be payable annually if Long-Term Indebtedness other than a Guaranty were issued on the date any Obligated Issuer enters into, or becomes liable in respect of, such Guaranty in an amount equal to the maximum amount of the indebtedness or other obligation guaranteed or in effect guaranteed by such Guaranty, which Long-Term Indebtedness would mature over a term of 30 years in approximately equal annual payments of principal and interest and would have an interest rate equal to the weighted-average annual interest rate (whether actual, imputed or implicit) payable on the indebtedness or other obligation guaranteed or in effect guaranteed by such Guaranty; provided, further, if any principal or interest payment is made by the guarantor in connection with such Guaranty within a two year period, then the aggregate annual principal and interest payments on Long-Term Indebtedness represented by such Guaranty shall be treated as Long-Term Indebtedness payable by the Obligated Group for purposes of any covenants in the Master Trust Indenture or any computation provided for herein.

“Master Trust Indenture” means the Master Trust Indenture, dated as of November 1, 2005, between the Hospital and the Master Trustee, as amended or supplemented at the time in question.

“Master Mortgage” means the Mortgage, Security Agreement, and Financing Statement, dated as of November 1, 2005, between the Hospital and the Master Trustee.

“Master Note” or “Note” means the 2005-1 Master Note and any Note issued in exchange therefor.

“Master Trustee” means J.P. Morgan Trust Company, National Association, or any successor Master Trustee appointed pursuant to the provisions of the Master Trust Indenture.

“Mortgage” means any mortgage of, security interest in, lien, charge or encumbrance on or pledge of Property other than the mortgages, security interests, liens, charges and encumbrances either (i) listed in the Master Trust Indenture, (ii) created and given by an Obligated Issuer to another Obligated Issuer, (iii) granted in favor of the Trustee to secure solely the performance of all obligations under the Master Trust Indenture, or (iv) on a parity with or subordinate to a lien granted to the Master Trustee to secure the performance of obligations under the Master Trust Indenture.

“Mortgage Indebtedness” means Indebtedness (including Notes and Guaranties other than any Guaranty by any member of the Obligated Group of Indebtedness of any other member of the Obligated Group) secured by a Mortgage other than a Mortgage securing Project Indebtedness.

“Mortgaged Property” means Property that is subject to a Mortgage other than a Mortgage securing Project Indebtedness.

“Net Income Available for Debt Service” means, as to any period of time, (a) Total Revenues of the Obligated Group minus (b) Total Expenses of the Obligated Group other than depreciation, amortization and interest, plus (c) any other interest costs (not otherwise characterized as interest expense in clause (b) above) incorporated in the cost of an asset acquired or financed with proceeds derived from a borrowing, all as determined on a pro forma consolidated or combined basis in accordance with generally accepted accounting principles, with the elimination of material inter-company balances and transactions; provided, however, that no determination thereof shall take into account (i) any gain or loss resulting from the extinguishment of Indebtedness, (ii) any gain or loss resulting from the sale, exchange or other disposition of capital assets not in the ordinary course of business, (iii) any gain or loss resulting from any discontinued operations, (iv) any gain or loss resulting from pension terminations, settlements or curtailments, (v) any unusual charges for employee severance, (vi) other extraordinary items as defined by generally accepted accounting principles, (vii) any unrealized change in value or termination payment under an Interest Rate Agreement, (viii) any unrealized gain or loss from investments and (ix) any income or loss resulting from the reappraisal, revaluation, impairment or write-up of assets, the release of reserves, net assets released from restrictions that do not have an offsetting operating expense, any reported net income derived from an allocation of an ownership in an entity that does not result in the receipt of income by an Obligated Issuer.

“Net Patient Service Revenues” means gross patient service revenues less contractual allowances, free care and discounted care.

“Net Proceeds” means, when used with respect to any insurance or condemnation award, the gross proceeds from the insurance or condemnation award with respect to which that term is used remaining after payment of all necessary expenses incurred in the collection of such gross proceeds.

“Notes” means any Note issued, authenticated and delivered under the Master Trust Indenture. References to Notes of a series or such series means the Notes or series issued pursuant to a Supplemental Master Indenture.



“Obligated Group” means the Hospital and each other Obligated Issuer, if any.

“Obligated Group Representative” means the Chairman or Vice Chairman of the Hospital, or the President or Chief Financial Officer of the hospital which it operates or any other duly authorized officer of the Hospital or hospital which has been empowered to act in such capacity by action of the Governing Body of the Hospital.

“Obligated Issuer” means (i) the Hospital, (ii) any other Person which has become an Obligated Issuer under the Master Trust Indenture, in accordance with the provisions of the Master Trust Indenture.

“Officer's Certificate” means a certificate signed by the Chairman, a Vice Chairman, the President, a Vice President, the Chief Financial Officer or any other duly authorized officer of one or more members of the Obligated Group, and attested by either the Treasurer, an Assistant Treasurer, Secretary or an Assistant Secretary or any other duly authorized officer of one or more members of the Obligated Group or, in case of any Obligated Issuer which is not a corporation, by the managing partner or other person in which the power to act on behalf of such Obligated Issuer is vested by law, the organizational documents of such Obligated Issuer or by subsequent action of its Governing Body.

“Operating Assets” means any or all land, leasehold interests, buildings, machinery, furniture, fixtures, equipment, hardware, supplies and inventory of, or to be acquired by, the Hospital, and each other Obligated Issuer, whether separately or together with other such assets, all as determined on a pro forma consolidated or combined basis in accordance with generally accepted accounting principles consistently applied, with the elimination of material inter-company balances and transactions; provided, however, that Operating Assets shall not be deemed to include any Excluded Property.

“Opinion of Bond Counsel” means an opinion in writing signed by legal counsel which shall be nationally recognized as an expert in matters pertaining to the validity of obligations of Governmental Issuers and the exclusion from gross income for federal income tax purposes of interest on such obligations.

“Opinion of Counsel” means an opinion in writing signed by legal counsel who may be an employee of or counsel to any Obligated Issuer.

“Outstanding” means, when used in connection with Indebtedness, as of any time, Indebtedness issued or incurred and not paid or for which payment has not been provided by deposit of money or securities with the Master Trustee and shall not include Notes surrendered for exchange pursuant to the Master Trust Indenture or Notes for which replacement Notes have been issued pursuant to the Master Trust Indenture, or which the Master Trust Indenture otherwise provides shall be deemed not to be outstanding.

“Permitted Encumbrances” means those encumbrances enumerated in “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE – Permitted Encumbrances.”

“Person” means any individual, corporation, partnership, association, joint stock company, joint venture, trust, unincorporated organization, or government or any agency or political subdivision thereof.

“Project Indebtedness” means any Indebtedness secured by a Mortgage, liability for which is effectively limited to the Property, Plant and Equipment subject to such Mortgage and to revenues from such Property, Plant and Equipment with no recourse, directly or indirectly, to any other Property of any Obligated Issuer but with recourse, directly or indirectly, only to the Property, Plant and Equipment secured by such Mortgage and the revenues therefrom.

“Projected Rate” means either (i) the average interest rate paid on the Outstanding Indebtedness for the preceding 12-month period; (ii) the rate equal to the 30-year Revenue Bond Index as of the date of issuance of the Additional Indebtedness; or (iii) the actual interest rate then in effect on the date of issuance of the Additional Indebtedness, as selected by the Obligated Group Representative.

“Property” means, when used in connection with a particular Person, any and all rights, title and interests of such Person in and to any and all property, whether real or personal, tangible or intangible (including Gross Revenues), and wherever situated.

“Property, Plant and Equipment” means all Property of each Obligated Issuer which is classified as property, plant and equipment under generally accepted accounting principles.

“Put Indebtedness” means Indebtedness which is payable or required to be purchased or redeemed, at the option of the holder thereof, prior to its stated maturity or which secures Related Bonds which are so payable or required to be purchased or redeemed, but not including Indebtedness subject to mandatory tender other than by reason of acceleration or required purchase upon default.

“Qualified Rate Agreement” means an Interest Rate Agreement, expressly identified in an Officer's Certificate of the Obligated Group Representative delivered to the Master Trustee as being entered into in order to hedge the interest payable on all or a portion of any Indebtedness.

“Rating Agency” means Moody's Investors Service, Fitch Ratings or Standard & Poor's Credit Market Services their respective successors and assigns or upon discontinuance of any or all of such services, such other nationally recognized rating service as shall be determined by the Master Trustee.

“Refunding Indebtedness” means any Long-Term Additional Indebtedness issued for the purpose of refunding any principal and/or interest of any Outstanding Long-Term Indebtedness.

“Refunding Notes” means any additional Notes that constitute Refunding Indebtedness.

“Related Bond Indenture” means any indenture pursuant to which a series of Related Bonds is issued or any supplement to a Related Bond Indenture pursuant to which a series of Related Bonds is issued.

“Related Bond Trustee” means the trustee and its successors in the trusts created under any Related Bond Indenture.

“Related Bonds” means obligations issued by any Governmental Issuer, the proceeds of which obligations are loaned or otherwise made available to or for the benefit of (i) the Hospital or any other Obligated Issuer in consideration of the execution, authentication and delivery of a Note or Notes to such Governmental Issuer or Related Bond Trustee or (ii) any Person other than the Hospital or any other Obligated Issuer in consideration of issuance to such Governmental Issuer or trustee for such obligations (A) by such Person of any indebtedness or other obligation of such Person and (B) by the Hospital or any other Obligated Issuer of a Guaranty issued under the Master Trust Indenture in respect of such Indebtedness or other obligation.

“Related Issuer” means the Governmental Issuer of any issue of Related Bonds.

“Restricted Moneys” means the proceeds of any grant, gift, bequest, contribution or other donation (and, to the extent subject to the applicable restrictions, the investment income derived from the investment of such proceeds) specifically restricted by the donor or grantor to a special object or purpose which precludes the use by an Issuer thereof for debt service or for financing the costs, or for paying the operating, maintenance and repair expenses, of facilities operated by an Issuer holding or entitled to such proceeds.

“Secured Indebtedness” means any Indebtedness secured by a Mortgage.

“Short-Term” means, when used in connection with Indebtedness other than Guaranties, Indebtedness having an original maturity less than or equal to one year and not renewable at the option of any Obligated Issuer for a term greater than one year beyond the date of original issuance.

“State” means the State of Indiana.

“Subordinated Indebtedness” means Indebtedness which, with respect to any issue thereof, is evidenced by instruments, or issued under an indenture or other document, containing provisions for the subordination of such Indebtedness (to which appropriate reference shall be made in the instruments evidencing such Indebtedness) substantially as set forth in the Master Trust Indenture.

“Subsidiary” means, with respect to each Obligated Issuer, (a) a corporation, association, business trust, joint venture, partnership or similar entity organized under the laws of any state of which such Obligated Issuer possesses, directly or indirectly, in excess of 50% of the voting rights with respect thereto, provided that the ability to acquire additional voting rights shall not be counted until such rights are acquired, (b) a corporation, association, business trust, joint venture, partnership or similar entity organized on a nonprofit basis under the laws of any state, the articles of incorporation, code of regulations, by-laws, articles of association or similar organizational documents of which require or expressly permit such Obligated Issuer to exercise control thereof, whether through (i) appointment of officers or employees of such Obligated Issuer or any other Obligated Issuer to such organization's Governing Body on an ex officio basis (with voting rights), (ii) appointment of members of such organization's Governing Body by

such Obligated Issuer or (iii) authority of such Obligated Issuer to remove members of such organization's Governing Body or any other means or (c) any Subsidiary of any of the foregoing.

“Supplemental Master Indenture” means an indenture supplemental to, and authorized and executed pursuant to the terms of, the Master Trust Indenture for the purpose of creating one or more series of Notes issued hereunder or amending or supplementing the terms of the Master Trust Indenture.

“Tax-Exempt Organization” means (i) a not-for-profit corporation or other entity organized under the laws of any state which is an organization described in Section 501(c)(3) of the Code or any successor section of the Code or of a successor statute or (ii) any state of the United States or a local governmental unit thereof within the meaning of Section 103 of the Code or any instrumentality thereof.

“Total Expenses” means total expenses of the Obligated Group determined on a pro forma consolidated or combined basis in accordance with generally accepted accounting principles consistently applied, with the elimination of material intercompany balances and transactions.

“Total Revenues” means the sum of gross patient service revenues (less contractual allowances, free care and discounted care), other operating revenues and nonoperating gains of the Obligated Group, determined on a pro forma consolidated or combined basis in accordance with generally accepted accounting principles consistently applied with the elimination of material inter-company balances and transactions.

“2005-1 Master Note” means the Series 2005-1 Master Note issued by the Hospital under the 2005-1 Supplemental Indenture.

“2005-1 Supplemental Indenture” means the 2005-1 Supplemental Master Indenture, dated as of November 1, 2005, between the Hospital and the Master Trustee, under which the 2005-1 Master Note is issued.

“UCC” means the Uniform Commercial Code in effect from time to time in the State.”

“Unrestricted Net Assets” means the amount shown as unrestricted net assets in the most recently available audited financial statements of the Obligated Group, and excluding unrealized gains and losses resulting from the periodic valuation of investments and Qualified Rate Agreements.

## **SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE**

The following, in addition to information provided elsewhere in this Official Statement, summarizes certain terms and provisions of the Master Trust Indenture. Such summary does not purport to be comprehensive, and reference should be made to the Master Trust Indenture for more complete information. Copies of the Master Trust Indenture are available from the Bond Trustee upon request.

## **General**

The 2005-1 Master Note is issued pursuant to the Master Trust Indenture, as supplemented by the 2005-1 Supplemental Master Indenture. The Master Trust Indenture entitles each holder of a Note, including the Bond Trustee as holder of the 2005-1 Master Note, to the protection of the covenants, restrictions and other obligations imposed upon the Hospital and any other Obligated Issuers in the Master Trust Indenture. For the purpose of determining whether the holders of a required percentage of Notes have taken, or have authorized the Master Trustee to take, any action under the Master Trust Indenture (including the making of any demand or request or giving of any notice, consent or waiver), each bondholder is deemed to be a holder of Notes in proportion to the principal amount of Bonds held by the bondholder, and accordingly the 2005-1 Master Note held by the Bond Trustee is disregarded.

Each Note or series of Notes issued as security for an issue of Related Bonds will contain such provisions for prepayment as will permit prepayment or redemption prior to maturity of the Related Bonds in accordance with their terms. The number of Notes or series of Notes that the Hospital or any other Obligated Issuer may issue under the Master Trust Indenture is not limited. The Hospital and any other Obligated Issuers may incur debt not evidenced by the Notes, and may issue additional Notes or series of Notes for the purpose of borrowing on a taxable or tax exempt basis, either by private sale or public offering, except as prohibited by restrictions described below under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE-Permitted Additional Indebtedness" in Appendix C.

## **Permitted Encumbrances**

The Hospital and any other Obligated Issuers agree that they will not create or suffer to be created or exist any Mortgage upon Property that they now own or hereafter acquire, other than Permitted Encumbrances without providing in the instrument creating a Mortgage that each series of Notes issued and outstanding under the Master Trust Indenture are directly secured equally and ratably with the Indebtedness to be issued and secured by the Mortgage. It is agreed that any Permitted Encumbrance properly granted under the Master Trust Indenture and any claim arising therefrom or related thereto shall be senior in priority and prior to the lien of the Master Trustee if the Trust Estate is so designated by the Obligated Issuer creating such Permitted Encumbrance except as follows:

( ) liens arising by reason of good faith deposit with any Obligated Issuer in connection with tenders, leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Obligated Issuer to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(xx) any lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Obligated Issuer, an Insurance Subsidiary or a subsidiary of the Hospital to maintain self insurance or to participate in any funds

established to cover any insurance risks or in connection with workmen's compensation, unemployment insurance, old age pensions or other social security, or to share in the privileges or benefits of companies participating in such arrangements;

(xxi) any judgment lien against any other Obligated Issuer or a subsidiary so long as the finality of the judgment is being contested and execution is stayed and so long as such judgment lien will not materially interfere with or impair the operations of the Obligated Group relating to the Operating Assets.

(xxii) (A) rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property, to (1) terminate that right, power, franchise, grant, license or permit, provided that the exercise of that right would not materially impair the use of the Property or materially and adversely affect the value thereof or (2) purchase, condemn, appropriate or recapture, or designate a purchase of, the Property, (B) any liens on any Property for taxes, assessments, levies, fees, water and sewer rents or resulting from governmental regulations on the use of the Property, and other governmental and similar charges and any liens of mechanics, materialmen and laborers for work or services performed or materials furnished in connection with the Property which are not due and payable, are not delinquent, or the amount or validity of which are being contested and execution thereof is stayed, (C) easements, rights-of-way, servitudes, restrictions and other minor defects, encumbrances, and irregularities in the title of any Property that do not materially impair the use of the Property or which do not materially and adversely affect the value thereof, (D) rights reserved to or vested in any municipality or public authority to control or regulate any Property or to use the Property in any manner, so long as the rights do not materially and adversely affect the value thereof, and (E) to the extent that it affects title to any Property, the Master Trust Indenture;

(xxiii) any liens listed on Exhibit A to the Master Trust Indenture, provided that no lien may be extended, renewed, or modified to cover additional Property;

(xxiv) any Mortgage securing Project Indebtedness;

(xxv) encumbrances arising from grants, loans and/or guarantees of the United States of America pursuant to 42 U. S.C. § 291 et seq. and/or 42 U.S.C. § 300 et seq. and other encumbrances arising from grants, loans from, or guarantees of Indebtedness by federal, state and local governments or agencies thereof certified in an officers certificate to be similar in nature to the encumbrances described in the first part of this clause (vi);

(xxvi) Mortgages, security interests, liens, charges and encumbrances between members of the Obligated Group;

(xxvii) any lease described under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE-Sale, Lease or other Disposition of Cash, Securities and Operating Assets" in this Appendix C;

(xxviii) any lien, encumbrance or security interest created by the Master Trust Indenture;

(xxix) any other Mortgage of Property provided that each Obligated Issuer certify in an Officer's Certificate delivered to the Master Trustee that, after giving effect thereto, the aggregate principal and amount of Indebtedness secured by such Mortgage does not exceed 20% of the aggregate Book Value of the Property of the Obligated Group as reflected on the combined balance sheet for the most recent available Fiscal Year;

(xxx) a Mortgage constituting a lien on accounts receivable securing Indebtedness incurred for a sale of accounts receivable; provided that each Obligated Issuer certify in an Officer's Certificate delivered to the Master Trustee that, after giving effect thereto, the aggregate principal amount of Indebtedness subject to such Mortgage will not exceed 25% of the Total Revenues of the Obligated Group as reflected on the audited financial statements for the most recent available Fiscal Year;

(xxxi) a Mortgage on any Excluded Property;

(xxxii) a Mortgage securing Subordinated Indebtedness;

(xxxiii) any Mortgage with respect to any Property of any Person that is existing on the date that the Person becomes an Obligated Issuer or merges or consolidates with an Obligated Issuer and which was not incurred in contemplation of that event; provided that no such Mortgage or the indebtedness secured thereby may be extended or renewed or modified to spread to any Property not subject to such Mortgage, on the date of such event, except to the extent that such Mortgage, as so extended, renewed or modified could have been granted or created under any provision of the Master Trust Indenture; or

(xxxiv) security interest in funds or securities posted in a collateral account held by a counterparty or a third party custodian securing the obligations of an Obligated Issuer under an Interest Rate Agreement.

### **Permitted Additional Indebtedness**

The Hospital and any other Obligated Issuers may incur only the following indebtedness:

( ) Long-Term Indebtedness, provided that each Obligated Issuer certifies in an Officer's Certificate delivered to the Master Trustee:

(A) the use or uses and estimated cost of the facilities, if any, to be financed with such Long-Term Indebtedness (if other than a Guaranty); and

(B) that either:

(1) the Debt Service Coverage Ratio, after giving effect to the issuance of the Long-Term Indebtedness then proposed to be issued, for each of the two most recent Fiscal Years for which audited financial statements are available, preceding the date of the proposed issuance of such Long-Term Indebtedness, is at least 1.10 as shown in a Certificate of the Obligated Group Representative;

(2) (v) the Debt Service Coverage Ratio for each of the two most recent Fiscal Years for which audited financial statements are available, preceding the date of the proposed issuance of such Long-Term Indebtedness, is at least 1.10 as shown in a Certificate of the Obligated Group Representative and (w) the Debt Service Coverage Ratio for each of the two Fiscal Years beginning after the date on which it is estimated that the facilities to be financed with such Long-Term Indebtedness will be placed in service (or, in the event none of such Long-Term Indebtedness is being issued to finance capital improvements or in the event of a Guaranty, the Debt Service Coverage Ratio for each of the two Fiscal Years beginning after the date on which such Long-Term Indebtedness is issued), after giving effect to the issuance of such Long-Term Indebtedness and the revenues generated by the facilities thereby financed is expected to be at least 1.10, as shown in a certificate of the Obligated Group Representative; provided, however, that if the Debt Service Coverage Ratio for each of the two Fiscal Years described in subsection (2)(w), is less than 1.25, an Independent Consultant (the findings of which may be based insofar as they relate to historical financial statements upon a report or opinion of a firm of Independent Accountants) must confirm such certificates; provided, further, that the requirements of this foregoing subsection (2)(v) or (w), as the case may be, shall be deemed satisfied if the Master Trustee receives a report of an Independent Consultant indicating that (x) applicable laws or regulations have prevented the Obligated Group from generating the Net Income Available for Debt Service required to be generated under (2)(v) or (w), as the case may be, (y) the rates being charged or to be charged by the Obligated Group are or will be such that, in the opinion of such Independent Consultant, the Obligated Group is generating the maximum amount of Net Income Available for Debt Service reasonably practicable given such law or regulations and (z) each of the Debt Service Coverage Ratios in subsection (2)(v) and (w) is at least 1.00; or

(C) the Funded Indebtedness Ratio, after giving effect to the incurrence of such Indebtedness, does not exceed .65:1.

(xxxv) Completion Indebtedness, provided that a certificate of an architect is filed with the Master Trustee stating (i) the necessity for (A) the improvement, replacement, renovation or substitutions for or additions to facilities for which Long-Term Indebtedness or Interim Indebtedness has been incurred due to faulty design, damage to or destruction of such facilities or (B) the completion of facilities for which Long-Term Indebtedness or Interim Indebtedness has been incurred, (ii) that such proposed facilities are within the original scope contemplated at the time such Long-Term or Interim Indebtedness was incurred, (iii) the amount of such Completion Indebtedness needed, (iv) the use to which the proceeds of such Completion Indebtedness will be put, and (v) the amount of such Completion Indebtedness, together with other available funds, are expected to be sufficient to complete such facilities.



(xxxvi) Refunding Indebtedness; provided, the issuance of such Indebtedness does not cause the maximum annual scheduled debt service on Long Term Indebtedness for the then current or any succeeding Fiscal Year to increase by more than ten percent (10%).

(xxxvii) Short-Term Indebtedness, provided that the principal amount of such Indebtedness shall be limited to 15% of Total Revenues of the Obligated Group, provided further that all Short-Term Indebtedness shall be reduced to no more than 3% of the Total Revenues of the Obligated Group for at least twenty (20) consecutive days during any Fiscal Year except a Fiscal Year during the last 120 days of which any third party reimbursor or insurer providing in excess of 20% of the Total Revenues of the Obligated Group is in arrears in excess of 120 days of accounts payable to any Obligated Issuer. Any amount in excess of such 15% limitation shall be required to meet the tests set forth in (i)(B) above.

(xxxviii) Project Indebtedness.

(xxxix) Subordinated Indebtedness.

(xl) Interim Indebtedness incurred in anticipation of the issuance of additional Long-Term Indebtedness, provided that at the time such Interim Indebtedness is incurred or renewed (i) the anticipated refinancing thereof by the issuance of Long-Term Indebtedness is reasonably expected to be completed within the following 48 months and (ii) the Obligated Group Representative certifies that all requirements of (i)(B) above would be satisfied if such indebtedness were being incurred with substantially equal annual payments to be paid for principal and interest over a term which is the greater of 25 years or the weighted average useful life of the facilities being financed with an interest rate equal to the Projected Rate.

(xli) Balloon Indebtedness so long as the Obligated Group Representative certifies that all requirements of (i)(B) above would be satisfied if the maturity or maturities constituting the balloon payment had been issued over a term of 25 years at an interest rate equal to the Projected Rate and was payable in approximately equal annual payments of principal and interest.

(xlii) Put Indebtedness, so long as the Obligated Group Representative certifies that all requirements of (i)(B) above would be satisfied if the Indebtedness had been issued over a term of 25 years at an interest rate equal to the Projected Rate and was payable in approximately equal installments of principal and interest.

(xlili) Commitment Indebtedness.

(xliv) Indebtedness consisting of accounts payable incurred in the ordinary course of business or other Indebtedness not incurred or assumed primarily to assure the repayment of money borrowed or credit extended which Indebtedness is incurred in the ordinary course of business.

(xlv) Indebtedness incurred in connection with a sale of accounts receivable with recourse by any Obligated Issuer consisting of an obligation to repurchase all or a portion of such accounts receivable upon certain conditions, provided that the principal amount of such Indebtedness permitted under the Master Trust Indenture shall not exceed the aggregate sale price of such accounts receivable received by such Obligated Issuer and provided further, the aggregate sale price of the accounts receivable shall not be less than fair market value.

(xlvi) Indebtedness the principal amount of which at the time incurred, together with the aggregate principal amount of all other Indebtedness then outstanding which was issued pursuant to the provisions of this subsection (xiii) and which has not been subsequently reclassified as having been issued under another subsection, does not exceed 20% of the Total Revenues of the Obligated Group for the last preceding Fiscal Year for which combined financial statements reported upon by Independent Accountants are available.

The various types of Indebtedness listed above may be incurred under any of the above-referenced subsections with respect to which the tests set forth in such subsection are met and need not be incurred under only a subsection specifically referring to such type of Indebtedness.

No debt service will be deemed payable with respect to Commitment Indebtedness until such time as funding occurs under the commitment which gave rise to such Commitment Indebtedness. From and after such funding, the amount of such debt service will be calculated in accordance with the actual amount required to be repaid on such Commitment Indebtedness and the actual interest rate and amortization schedule applicable thereto. No Additional Indebtedness will be deemed to arise when any funding occurs under any such commitment or any such commitment is renewed upon terms which provide for substantially the same terms of repayment of amounts disbursed pursuant to such commitment as obtained prior to such renewal. In addition, no Additional Indebtedness will be deemed to arise when Indebtedness which bears interest at a variable rate of interest is converted to Indebtedness which bears interest at a fixed rate or the method of computing the variable rate on such Indebtedness is changed or the terms upon which Indebtedness, if Put Indebtedness, may be or is required to be tendered for purchase are changed, if such conversion or change is in accordance with the provisions applicable to such variable rate Indebtedness or Put Indebtedness in effect immediately prior to such conversion or change.

Each Obligated Issuer may elect to have Indebtedness issued pursuant to one of the abovementioned provisions, including without limitation subsection (xiii), reclassified as having been incurred under another provision mentioned above, by demonstrating compliance with such other provision on the assumption that such Indebtedness is being reissued on the date of delivery of the materials required to be delivered under such other provision including the certification of any applicable Projected Rate. From and after such demonstration, such Indebtedness shall be deemed to have been incurred under the provision with respect to which such compliance has been demonstrated until any subsequent reclassification of such Indebtedness.

Anything herein to the contrary notwithstanding, any portion of any Indebtedness of any Issuer for which a Qualified Rate Agreement has been obtained by such Issuer shall be deemed to bear interest for the period of time that such Qualified Rate Agreement is in effect at a net rate which takes into account the interest payments made by such Issuer on such Indebtedness and the payments made or received by such Issuer on such Qualified Rate Agreement; provided that the long-term credit rating of the provider of such Qualified Rate Agreement (or any guarantor thereof) is in one of the three highest rating categories of any Rating Agency (without regard to any refinements of gradation of rating category by numerical modifier or otherwise) or is at least as high as that of the Obligated Group. In addition, so long as any Indebtedness is deemed to bear interest at a rate taking into account a Qualified Rate Agreement, any payments made by an Issuer on such Qualified Rate Agreement shall be excluded from expenses and any payments received by an Issuer on such Qualified Rate Agreement shall be excluded from revenues, in each case, for all purposes of the Master Trust Indenture. No Additional Indebtedness shall be deemed to arise when an Interest Rate Agreement is entered into or terminated.

### **Restrictions on Guaranties**

Neither the Hospital nor any other Obligated Issuer will become liable under any Guaranty unless (i) the Guaranty is permitted as Long-Term Indebtedness under subsection (a) under the caption “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE-Permitted Additional Indebtedness” in this Appendix C, or (ii) the Guaranty is of the Indebtedness of an Obligated Issuer or of Related Bonds.

### **Debt Service Coverage Ratio**

The Hospital and all other Obligated Issuers will calculate the Debt Service Coverage Ratio for each Fiscal Year as soon as practicable, but in no event later than five months following the end of such Fiscal Year. If the Debt Service Coverage Ratio, as calculated at the end of any Fiscal Year, is below 1.10, the Hospital and all other Obligated Issuers will retain an Independent Consultant to make recommendations to increase the Debt Service Coverage Ratio for subsequent Fiscal Years to at least 1.10 or, if in the opinion of the Independent Consultant the attainment of such level is impracticable, to the highest practicable level. The Hospital and each other Obligated Issuer, respectively, will follow the recommendations of the Independent Consultant, to the extent feasible, and subject to existing law and applicable third party payor programs or agreements, will revise their respective rates, fees or charges or methods of operation and will take such other action as shall be in conformity with such recommendations; provided, however, that if the Obligated Group does not meet the rate covenant as a result of existing laws, regulations or third party payor agreements, the Obligated Group Representative shall provide the Master Trustee an Opinion of Counsel stating that the reasons for not meeting the rate covenants were valid. So long as the Hospital and all Obligated Issuers follow such Independent Consultant's recommendations, this provision will be deemed to have been complied with even if the Debt Service Coverage Ratio for any subsequent Fiscal Year is below 1.10; and it will not constitute an Event of Default under the Master Trust Indenture unless and until such Debt Service Coverage Ratio falls below 1.00.

## **Sale, Lease or Other Disposition of Cash, Securities and Operating Assets**

(a) Except as provided in subsections (b) and (c) below, neither the Hospital nor any other Obligated Issuer will sell, lease or otherwise dispose of any of its cash, securities or other cash equivalents or Operating Assets (other than in the ordinary course of business) unless the Hospital or such Obligated Issuer certifies to the Master Trustee, which certification shall be accompanied by evidence in an Officer's Certificate, that:

(i) with respect to the sale, lease or disposition of Operating Assets, in the judgment of such Obligated Issuer such Operating Assets have, or within the succeeding 24 calendar months are reasonably expected to, become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary, provided that the sale, lease, removal or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Operating Assets; or

(ii) such sale, lease or disposition is solely from any Obligated Issuer or Issuers to any other Obligated Issuer or Issuers; or

(iii) either (but in either case only if the sale, lease or disposition will not impair the structural soundness, efficiency or economic value of the remaining Operating Assets) (i) the leasing of all or any part of its Operating Assets is pursuant to the reasonable requirements of such Obligated Issuer and upon terms no less favorable to such Obligated Issuer than are obtainable in a comparable arms-length transaction or (ii) the sale or disposition of all or any part of its Operating Assets is pursuant to the reasonable requirements of such Obligated Issuer and for consideration, which shall take the form of cash, securities or real or personal property, having a Fair Market Value at least equal to the Fair Market Value of such Operating Assets sold or disposed of; or

(iv) immediately after such transaction, either:

(a) the Debt Service Coverage Ratio for the most recent 12 consecutive calendar months for which audited financial statements are available preceding the proposed date of such transaction, assuming such transaction actually occurred at the beginning of such period, would not be less than 1.25; or

(b) the Debt Service Coverage Ratios for each of the two Fiscal Years beginning immediately following the proposed date of such transaction is expected to be: (1) greater than 1.50; or (2) higher than it would have been had such transactions not been effected; or

(v) such sale, lease or disposition involves only Excluded Property.

(b) The Hospital or any other Obligated Issuer may sell, lease or otherwise dispose of its cash, securities or other cash equivalents, or Operating Assets (other than in the ordinary course of business), without satisfying the conditions that must be certified pursuant to the preceding paragraph, if such cash, securities or other cash equivalents, or Operating Assets are sold, leased, conveyed, transferred or otherwise disposed of pursuant to this subsection and the face value of the cash, securities and other cash equivalents disposed of and the aggregate Book

Value of the Operating Assets sold, leased or otherwise disposed of pursuant to this subsection in any one Fiscal Year does not exceed ten percent (10%) of the aggregate Book Value of all Property of the Obligated Group as reflected on the financial statements of the Obligated Group as of the beginning of such Fiscal Year. The Hospital or any other Obligated Issuer may dispose of its assets as described above to any Subsidiary as long as such assets disposed of do not exceed ten percent (10%) of the aggregate Book Value of all Property of the Obligated Group as reflected on the financial statements of the Obligated Group as of the beginning of such Fiscal Year.

(c) The Hospital may sell or lease all or a portion of its real property to the Indiana Health and Educational Facility Financing Authority (pursuant to the provisions of Indiana Code 16-22-3) or to the Harrison County Hospital Association (pursuant to Indiana Code 16-22-6) in order to effect a lease financing transaction as provided in the referenced statutes. Any such lease transaction shall be secured on a parity with all Notes outstanding under the Master Trust Indenture.

For purposes of the preceding paragraphs, the term “lease” means only a transaction in which any Obligated Issuer is the lessor.

If any sale, lease or disposition permitted under the preceding paragraphs is to any organization other than a Tax-Exempt Organization or if such property is reasonably expected to be used for a purpose other than the organization's exempt purpose, prior to such sale, lease or disposition there will be delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance acceptable to the Master Trustee, to the effect that such sale, lease or disposition would not adversely affect the exclusion from gross income for federal income tax purposes of interest payable on any issue of Related Bonds then outstanding under a Related Bond Indenture.

### **Obligated Issuers**

Upon issuance of the Bonds, the Hospital will be the only Obligated Issuer.

Any person may, with the consent of the Obligated Group Representative, become an Obligated Issuer if such person: (a) agrees (i) to become an Obligated Issuer under the Master Trust Indenture and thereby subject to compliance with all provisions of the Master Trust Indenture pertaining to an Obligated Issuer, including the performance and obligations of an Obligated Issuer under the Master Trust Indenture, and (ii) to be jointly and severally obligated to pay all Indebtedness evidenced by Notes theretofore or thereafter issued and then outstanding under the Master Trust Indenture; and (b) delivers to the Master Trustee (i) a certificate of the Obligated Group Representative which demonstrates that, immediately upon such person's becoming an Obligated Issuer, the Hospital and each other Obligated Issuer, considered as a pro forma consolidated or combined group, with the elimination of material inter-company balances and transactions, (A) would not be in default in the performance or observance of any covenant or condition to be performed or observed by any Obligated Issuer and any member of the Obligated Group and (B) would meet the conditions described in subparagraph (i)(B) under the caption “Permitted Additional Indebtedness” for the incurrence of one dollar of Long-Term Additional Indebtedness, and (ii) an opinion of counsel that all provisions of federal and state securities laws relating to the transaction have been complied with, and (iii) an opinion of bond

counsel to the effect that the consummation of such transaction would not adversely affect the exemption from federal income taxation of interest payable on any issue of Related Bonds then outstanding under a Related Bond Indenture.

Upon any person's becoming an Obligated Issuer, the limitations on mortgages (see "Permitted Encumbrances") and indebtedness (see "Permitted Additional Indebtedness") contained in the Master Trust Indenture will no longer apply to Mortgages given by, or Indebtedness of, any member of the Obligated Group to another member of the Obligated Group or Guaranties by any member of the Obligated Group to other members of the Obligated Group. In addition, the computations provided for in the Master Trust Indenture will be made on a pro forma consolidated or combined basis for the Hospital and each other Obligated Issuer in accordance with generally accepted accounting principles consistently applied, with the elimination of material inter-company balances and transactions.

Any Obligated Issuer may, upon 30 days' prior written notice to the Master Trustee, withdraw from the Obligated Group and the Master Trustee, if so requested by such Obligated Issuer and at such Obligated Issuer's expense, shall execute and deliver an appropriate instrument releasing such from any liability or obligation under the provisions of the Master Trust Indenture and any Supplemental Master Indenture provided that prior to such release the Master Trustee will be furnished with:

( ) evidence, that, immediately upon any such Person withdrawing as an Obligated Issuer as part of such transaction, each Obligated Issuer, considered as a pro forma consolidated or combined group for purposes of the Master Trust Indenture, with the elimination of material inter-company balances and transactions, would meet the conditions described in subparagraph (i)(B) under the caption "MASTER TRUST INDENTURE-Permitted Additional Indebtedness" for the incurrence of one dollar of Long-Term Additional Indebtedness;

(xlvii) a certificate of the Obligated Group Representative that the Debt Service Coverage Ratio for the Fiscal Year immediately following such withdrawal is expected to be (i) greater than 1.10 or (ii) higher than it would have been had such withdrawal not been effected (measured as if withdrawals occurring in the same Fiscal Year but prior to the withdrawal in question had not occurred);

(xlviii) a certified copy of the resolution of the Governing Body of such Obligated Issuer requesting such release;

(xlix) certified copies of the resolutions of the Governing Bodies of all remaining members of the Obligated Group consenting to such release and reaffirming their continuing joint and several liability under any Notes issued by the withdrawing Obligated Issuer; and

(l) an Opinion of Bond Counsel to the effect that such withdrawal does not affect the exclusion from gross income for federal income tax purposes of interest on any then Outstanding Related Bonds.

Any Obligated Issuer may withdraw from the Obligated Group without satisfying the conditions set forth in paragraphs (i), (ii) and (iv) above if the Obligated Group Representative delivers to the Master Trustee a certificate consenting to such withdrawal and evidencing that the conditions specified in paragraph (iv) under the caption “MASTER TRUST INDENTURE- Sale, Lease or Other Disposition of Cash, Securities and Operating Assets” are complied with, together with the report of an Independent Consultant if required by that provision.

### **Consolidation, Merger, Sale or Conveyance**

The Hospital or any other Obligated Issuer will not merge or consolidate with any other corporation not a member of the Obligated Group or sell or convey all or substantially all of its assets to any person not a member of the Obligated Group, unless: either (a) the Hospital or such Obligated Issuer is the continuing corporation, or the successor is a domestic corporation of the United States of America or any state thereof and such successor corporation assumes in writing the due and punctual payment of the principal of and premium, if any, and interest on all Outstanding Notes, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of the Master Trust Indenture to be performed or observed by such Issuer by supplemental indenture satisfactory to the Master Trustee, executed and delivered to the Master Trustee by such Successor Corporation; (b) immediately after the consolidation, merger, sale or conveyance, the Hospital or such Obligated Issuer or the successor corporation, as the case may be, (i) would not be in default under the Master Trust Indenture and (ii) would be able to satisfy the conditions for the ability to incur one dollar of additional Long-Term Indebtedness referred to in paragraph (i)(B) under the caption “Permitted Additional Indebtedness”; and (c) the Master Trustee receives an Opinion of Bond Counsel that the consummation of such merger, consolidation, sale or conveyance would not adversely affect the exclusion from gross income for federal income tax purposes on any issue of Related Bonds.

### **Insurance**

The Hospital and any other Obligated Issuers will maintain insurance or a self-insurance plan covering those risks and in those amounts as, in its judgment, is adequate to protect it and its Properties and operations. The insurance plan is subject to the biennial review of an Independent Consultant knowledgeable in the insurance field; provided that an annual written evaluation will be furnished with respect to self-insurance programs. To the extent feasible, the Hospital and any other Obligated Issuers will follow any recommendation of the consultant.

Before the Hospital or any other Obligated Issuer may enter into a program of self-insurance against any particular risk for which it is not self-insured, an Independent Insurance Consultant must certify that the program will not disqualify the Hospital or such Obligated Issuer for reimbursement under Medicare or Medicaid programs or any governmental programs providing similar benefits, and that, if a necessary requirement for reimbursement under Medicare, Medicaid or other similar government program, adequate reserves for the program have been created, deposited, and if recommended by the Independent Insurance Consultant are maintained with an independent corporate trustee. The Hospital or such Obligated Issuer agrees to provide the Master Trustee annually a written evaluation with respect to any self-insurance programs by an Independent Insurance Consultant, which will contain or be accompanied by a

recommendation of an independent actuary as to what funding levels will be adequate to protect the Hospital or such Obligated Issuer against claims.

### **Other Covenants**

The Hospital and each Obligated Issuer covenants, among other things, (a) to preserve its existence as a corporation and all its rights, status as a Tax Exempt Organization, licenses and qualifications necessary or desirable in the operation of its business and affairs, (b) to procure and maintain all necessary licenses and permits and maintain accreditation of its health care facilities presently accredited by the Joint Commission on Accreditation of Healthcare Organizations and the eligibility of its health care services for all third party reimbursement programs, unless the Hospital or such Obligated Issuer's board of directors determines in good faith that compliance therewith is no longer in the Hospital or such Obligated Issuer's best interest and lack of compliance would not materially impair the Hospital or such Obligated Issuer's ability to pay its Indebtedness when due; (c) to carry on its business in an efficient manner and maintain its Properties in good repair and working order; (d) to conduct its affairs and carry on its business in compliance with all applicable laws of the United States and the several states, and with all applicable rules or regulations of any governmental authority; (e) to promptly pay all taxes, governmental charges and assessments against its Property and all of its obligations and claims against it as they become due and payable, unless contested by it in good faith; (f) to comply with the terms of all Mortgages existing upon its Property; (g) to file certain financial information periodically with the Master Trustee; and (h) under certain circumstances to file various reports with the Master Trustee.

### **Defaults and Remedies**

The following are "events of default" under the Master Trust Indenture:

( ) Failure to make any payment of the principal of, premium, if any, or interest on any Note or Notes or on any Indebtedness collateralized or secured by any Note or Notes when and as the same shall become due and payable, whether by maturity, by acceleration or otherwise, in accordance with the terms thereof, of the Master Trust Indenture and the Supplemental Master Indenture and the continuance of such default beyond the period of grace, if any, set forth in the Supplemental Master Indenture or (in the case of a Note or Notes collateralizing or securing an issue of Related Bonds) the Related Bond Indenture, as the case may be;

(li) Failure to observe or perform any covenant or agreement contained in the Master Trust Indenture for a period of 30 days after written notice of such failure shall have been given to the members of the Obligated Group, the Related Bond Trustees and the Obligated Group Representative by the Master Trustee, or to members of the Obligated Group and the Master Trustee by the holders of at least twenty-five percent (25%) in aggregate principal amount of Notes then outstanding; provided that if any such default can be cured by any Obligated Issuer but cannot be cured within the 30-day curative period described above, it shall not constitute an Event of Default if corrective action is instituted by any Obligated Issuer within such 30-day period and diligently pursued until the default is corrected;



(lii) Default in the payment of any Indebtedness (other than Project Indebtedness or Notes issued and outstanding under the Master Trust Indenture) then Outstanding in an amount exceeding \$500,000 (adjusted proportionately for each increase or decrease in the Consumer Price Index from the Consumer Price Index in effect as of the date of the Master Trust Indenture), whether such Indebtedness now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired, or an event of default as defined in any Mortgage, indenture or instrument, under which there may be issued or by which there may be secured or evidenced, any Indebtedness then Outstanding in an amount exceeding \$500,000 (adjusted proportionately for each increase or decrease in the Consumer Price Index from the Consumer Price Index in effect as of the date of the Master Trust Indenture), whether such Indebtedness now exists or shall hereafter be created, shall occur, which default in payment or event of default shall result in such Indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable; provided that any such failure by an Obligated Issuer will not be an Event of Default under this paragraph if such Obligated Issuer is diligently contesting in good faith its obligation to pay such Indebtedness;

(liii) Any Obligated Issuer (i) admits in writing its inability to pay its debts generally as they become due, (ii) has an order for relief entered in any case commenced by or against it under the federal bankruptcy laws, as now or hereafter in effect, (iii) commences a proceeding under any federal or state bankruptcy, insolvency, reorganization or other similar law, or has such a proceeding commenced against it and either has an order of insolvency or reorganization entered against it or has the proceeding remain undismissed and unstayed for 90 days, (iv) makes an assignment for the benefit of creditors or (v) has a receiver or trustee appointed for it or for the whole or any substantial part of its property, provided that any of such occurrences shall not be an Event of Default under this paragraph unless the other members of the Obligated Group shall have failed to deposit with the Master Trustee one or more Notes of one or more members of the Obligated Group in substitution for the Notes of the Obligated Issuer in default under this paragraph;

(liv) Any representation or warranty of any member of the Obligated Group set forth in the Master Trust Indenture proves untrue in any material respect as of the date of issuance or making thereof and shall not be corrected within 30 days after written notice thereof to the Obligated Group Representative by the Master Trustee; or.

(lv) (i) Any judgment, writ or warrant of attachment or of any similar process in an amount in excess of \$500,000 (adjusted proportionately for each increase or decrease in the Consumer Price Index from the Consumer Price Index in effect as of the date of the Master Trust Indenture) shall be entered or filed against any Obligated Issuer or against any of its Property and remains unvacated, unpaid, unbonded, uninsured or unstayed for a period of 60 days and (ii) the Obligated Group shall have failed to deposit with the Master Trustee within 15 calendar days of the Obligated Group Representative's receipt of written notice from the Master Trustee that an Event of Default has occurred, an amount sufficient to pay such judgment, writ or warrant of attachment or similar process in full.

If any Event of Default has occurred and is continuing unless the principal of Notes shall have already become due and payable, the Master Trustee may, and, if requested by the holders of not less than 25% in aggregate principal amount of Notes then outstanding, must, by notice in writing to the members of the Obligated Group, declare the principal of all outstanding Notes to become immediately due and payable. If all Events of Default other than nonpayment of amounts that have become due as a result of the declaration of acceleration are remedied, the holders of a majority in aggregate principal amount of all Notes then outstanding may waive all Events of Default and rescind and annul the declaration and its consequences.

No holder of a Note shall have any right to institute any suit, action or proceeding in equity or at law upon or under or with respect to the Master Trust Indenture or for the appointment of a receiver or trustee, or any other remedy under the Master Trust Indenture, unless (i) such holder previously shall have given to the Trustee written notice of default and of the continuance thereof, as hereinbefore provided, (ii) the holders of not less than twenty-five percent (25%) in aggregate principal amount of Notes then Outstanding, shall have made written request upon the Master Trustee to institute such action, suit or proceeding in its own name as Master Trustee under the Master Trust Indenture and shall have offered to the Master Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and (iii) the Master Trustee, for 30 days after its receipt of such notice, request and offer of indemnity, shall have neglected or refused to institute any such action, suit or proceeding and no direction inconsistent with such written request shall have been given to the Master Trustee pursuant to the Master Trust Indenture. No one or more holders of Notes shall have any right in any manner whatever by virtue or by availing of any provision of the Master Trust Indenture to affect, disturb or prejudice the rights of any other holder of a Note or to obtain or seek to obtain priority or preference to any other such holder, or to enforce any right under the Master Trust Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all holders of Notes on a parity with the Note of such holder. For the protection and enforcement of the provisions of this section, each and every holder of a Note and the Master Trustee shall be entitled to such relief as can be given either at law or in equity.

The holders of a majority in aggregate principal amount of Notes then Outstanding have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred on the Master Trustee. However, the Master Trustee has the right to decline to follow any such direction if the Master Trustee, being advised by Counsel, determines that the action so directed may not lawfully be taken, or if the Master Trustee, in good faith, determines that the proceedings so directed would be illegal or involve it in personal liability. Prior to the acceleration of the maturity of Notes, the holders of a majority in aggregate principal amount of Notes then Outstanding may on behalf of the holders of all Notes waive any past Event of Default and its consequences, except a default in the payment of the principal of or interest on Notes of any series or in respect of a covenant or provision in the Master Trust Indenture which, under the Master Trust Indenture, cannot be modified or amended without the consent of all the holders of such Notes then outstanding.

For the purpose of acceleration or waivers, holders of Related Bonds, including the Bonds, will be considered to be the holders of Notes in a principal amount equal to that of Related Bonds, including the Bonds held by them.

## **Modifications**

Each Obligated Issuer and the Master Trustee may, without the consent of the holders of the Notes, enter into amendments or supplements to the Master Trust Indenture to (a) evidence the succession of another corporation to any Obligated Issuer, or successive successions, and the assumption by the successor corporation of the covenants, agreements and obligations of any Obligated Issuer pursuant to the Master Trust Indenture, (b) add (with the prior written consent of the Obligated Group Representative) to the covenants of any Obligated Issuer such further covenants, restrictions or conditions as its Governing Body and Master Trustee shall consider to be for the protection of the holders of Notes issued under the Master Trust Indenture, and to make the occurrence, or the occurrence and continuance, of a default in any of such additional covenants, restrictions or conditions an Event of Default permitting the enforcement of all or any of the several remedies provided in the Master Trust Indenture, (c) cure any ambiguity or defective provision of the Master Trust Indenture, or supplemental indenture, as will not impair the security of the Master Trust Indenture or adversely affect the interest of the holders of the Notes, (d) qualify the Master Trust Indenture under the Trust Indenture Act of 1939, as amended, or under any similar federal statute hereafter enacted, (e) evidence additions to, or withdrawals from membership in the Obligated Group, (f) provide for substitute trustees or co-trustees in accordance with the Master Trust Indenture, (g) provide for the issuance of coupon Notes if in the opinion of Bond Counsel the issuance of Notes in coupon form will not adversely affect the exclusion from gross income for federal income tax purposes of interest payable on Related Bonds; and (h) in connection with any other change that, in the judgment of the Master Trustee, does not materially adversely affect the Master Trustee or the holders of the Notes.

The Hospital and each Obligated Issuer and the Master Trustee may, with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding Notes, otherwise amend or supplement the Master Trust Indenture, provided, however, that no such supplemental indenture shall (a) effect a change in the times, amounts or currency of payment of the principal of, premium, if any, or interest on any Note or a reduction in the principal amount or redemption price of any Note or the rate of interest thereon, without the written consent of the holder of such Note, (b)(i) reduce the aforesaid percentage of Notes, the holders of which are required to consent to any such supplemental indenture or (ii) except for any notes issued with respect to Subordinated Indebtedness, permit the preference or priority of any Note or Notes over any other Note or Notes, without the written consent of the holders of all Notes then Outstanding, or (c) modify the right of the holders of not less than twenty-five percent in aggregate principal amount of any series of Notes in default as to payment of principal, premium or interest to compel the Master Trustee to declare the principal of all Notes to be due and payable, without the consent of the holders of a majority in aggregate principal amount of the Notes of such series then Outstanding. For purposes of obtaining consents, each Related Bondholder is deemed a noteholder to the extent of the Related Bonds held.

## **Substitution of Notes**

All Notes issued pursuant to the Master Trust Indenture will, upon the request of an Obligated Issuer and the satisfaction of all terms and conditions set forth in the Master Trust Indenture, be substituted with an original replacement note or notes or similar obligation issued by any Obligated Issuer (the "Substitute Notes") under and pursuant to and secured by a master

trust indenture (the “Replacement Master Indenture”) executed by all current members of the Obligated Group and any other entities which are parties to and obligated with respect to indebtedness issued under such Replacement Master Trust Indenture (collectively, the “New Group”) and an independent corporate trustee (the “New Trustee”) meeting the eligibility requirements of the Master Trustee as set forth in the Master Trust Indenture, which Substitute Notes have been duly authenticated by the New Trustee, upon receipt of the Master Trustee of the following:

( ) an Opinion of Bond Counsel that the surrender of the Notes and the acceptance by the Master Trustee of the Substitute Notes will not adversely affect the validity of the Related Bonds or any exemption for the purposes of federal income taxation to which interest on any Notes or any Related Bonds would otherwise be entitled;

(lvi) an executed counterpart of the Replacement Master Indenture;

(lvii) an opinion of Counsel to the Obligated Issuers addressed to the Master Trustee to the effect that:

(a) the Replacement Master Indenture has been duly authorized, executed and delivered by each member of the New Group, each Substitute Note has been duly authorized, executed and delivered by an Obligated Issuer and each of the Replacement Master Indenture and each Substitute Note is a legal, valid and binding obligation of each member of the New Group, subject in each case to customary exceptions for bankruptcy, insolvency and other laws generally affecting enforcement of creditors’ rights and application of general principles of equity;

(b) all requirements and conditions to the issuance of the Substitute Notes set forth in the Replacement Master Indenture have been complied with and satisfied; and

(c) registration of the Substitute Notes under the Securities Act of 1933, as amended, is not required or, if such registration is required, the New Group has complied with all applicable provisions of said Act;

( ) a certificate of the Obligated Group Representative is delivered to the Master Trustee stating that the New Group, considered as a pro forma consolidated or combined group for purposes of the Master Trust Indenture, with the elimination of material inter-company balances and transactions, would, after giving effect to such Substitute Notes and assuming that the New Group constituted the Obligated Group under the Master Trust Indenture and that the Substitute Notes were issued under the Master Trust Indenture, would meet the conditions described in paragraph (i)(B) under the caption “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER Trust INDENTURE-Permitted Additional Indebtedness”;

(lviii) the Replacement Master Indenture containing (i) the agreement of each member of the New Group (A) to become a member of the New Group and thereby to

become subject to compliance with all provisions of the Replacement Master Indenture and (B) unconditionally and irrevocably (subject to the right of such person to cease its status as a member of the New Group pursuant to the terms and conditions of the Replacement Master Indenture) to jointly and severally make payments upon each note and obligations including the Substitute Notes, issued under the Replacement Master Indenture at the times and in the amounts provided in each such note or obligation, and (ii) representations and warranties of the members of the New Group no less restrictive than those set forth in the Master Trust Indenture; and

(lix) either

(a) the Replacement Master Indenture containing terms, covenants and provisions no less restrictive than those contained in the Master Trust Indenture, except for (A) such differences as in the judgment of the Master Trustee are not to the prejudice of the holders of the Notes and (B) such other differences as the Master Trustee determines are necessary for the benefit of the holders of the notes and obligations, including the Substitute Notes, issued under the Replacement Master Indenture, and any additional rights, remedies, powers or authority or additions to the covenants of the New Group or assignments and pledges of additional revenues, properties and collateral under the Replacement Master Indenture which are necessary for the benefit of such holders; or

(b) written confirmation from each Rating Agency then rating any Outstanding Related Bonds of any Obligated Issuer than, upon consummation of the proposed transactions, the ratings on such Related Bonds (without regard to any credit enhancement of the Related Bonds) will not be lower as a result of the entry into the Replacement Master Indenture and the issuance of the Substitute Notes; provided, however, that if, prior to the consummation of the proposed transactions, any such Outstanding Related Bonds are not then rated by any rating agency, such a rating will be obtained, which rating, as evidenced by the written confirmation of such rating service, will not be lower as a result of the entry into the Replacement Master Indenture and the issuance of the Substitute Notes; and

(c) such other opinions and certificates as the Master Trustee may reasonably require, together with such reasonable indemnities as the Master Trustee may request.

The Master Trustee will, within five (5) days after receipt of the items set forth above, mail to all holders of Notes, as the names and addresses of such holders appear upon the register or registers maintained pursuant to the Master Trust Indenture, notice that the requirements above have been satisfied and that all Notes issued under the Master Trust Indenture have been replaced with the Substitute Notes, and directing such Noteholders to surrender all Notes to the Master Trustee for cancellation as described below.

Each holder of Notes must surrender its Notes to the Master Trustee, at the principal office of the Master Trustee, within ten days of receipt from the Master Trustee of the notice

required above. Upon receipt by the Master Trustee of such Notes, the Master Trustee will, within five days of such receipt, deliver the Substitute Notes to such holders.

### **SUMMARY OF CERTAIN PROVISIONS OF SUPPLEMENTAL MASTER INDENTURES**

The following, in addition to information provided elsewhere in this Official Statement, summarizes certain terms and provisions of the 2005-1 Supplemental Master Indenture. Such summary does not purport to be comprehensive, and reference should be made to the 2005-1 Supplemental Master Indentures for more complete information. Copies of the 2005-1 Supplemental Master Indentures are available from the Bond Trustee upon request.

The 2005-1 Master Note is issued under the Master Trust Indenture, as supplemented by the 2005-1 Supplemental Master Indenture. Under the 2005-1 Supplemental Indenture, the 2005-1 Master Note will be subject to prepayment prior to maturity to the extent that the Bonds are subject to redemption prior to maturity. Pursuant to the 2005-1 Master Supplemental Master Indenture, the Hospital and each Obligated Issuer agree to become jointly and severally obligated with the members of the Obligated Group, if any, for the payment of all Notes issued under the Master Trust Indenture and to guarantee that Notes will be paid in accordance with their respective terms when due.

The Bank Notes are issued pursuant to the Master Trust Indenture in order to evidence the Hospital's obligation to reimburse the applicable Letter of Credit Bank under the Credit Documents.

### **SUMMARY OF CERTAIN PROVISIONS OF THE MASTER MORTGAGE**

The following, in addition to information provided elsewhere in this Official Statement, summarizes certain terms and provisions of the Master Mortgage. Such summary does not purport to be comprehensive, and reference should be made to the Master Mortgage for more complete information. Copies of the Master Mortgage are available from the Bond Trustee upon request.

#### **Mortgage and Security Interest**

In the Master Mortgage, the Hospital, to secure the payment of the Notes and the performance and observance by the Obligated Group of all the other covenants, agreements, representations, warranties and conditions contained in the Master Trust Indenture, mortgages to the Master Trustee, and grants to the Master Trustee a security interest in, the Mortgaged Property, subject to Permitted Encumbrances.

#### **Remedies Upon Event of Default**

Upon any Event of Default under the Master Trust Indenture, the Master Trustee will have the right to proceed to protect and enforce its rights by a suit or suits in equity or at law, either for the specific performance of any covenant or agreement contained in the Master Trust Indenture or in aid of the execution of any power therein granted, or the foreclosure of any

Mortgage as a mortgagee, or for the enforcement of any other appropriate legal or equitable remedy.

### **Release of Mortgaged Property**

The Hospital has the right, at any time and from time to time, to obtain a release from the lien of its Mortgage of any part of the Mortgaged Property or any rights therein, and the Master Trustee will, from time to time, release from the lien of the Mortgage such Mortgaged Property or rights therein, but only upon receipt by the Master Trustee of, among other things, the following:

- (i) A request by the Hospital for such release;
- (ii) A certificate of the Hospital stating or setting forth in substance as follows:
  - (a) the legal description of any of the land to be released;
  - (b) that the Mortgaged Property or rights therein to be released either (i) are not and will not be needed for the operation of the Mortgaged Property not so released or (ii) are to be improved for use in the business of the Hospital and are not and will not be necessary for the total operating unity and efficiency of the Mortgaged Property not so released;
  - (c) that such release will not impair the structural integrity of the Mortgaged Property not so released and will not inhibit adequate means of ingress to or egress from the Mortgaged Property not so released;
  - (d) that no event of default under the Master Trust Indenture has occurred which has not been cured; and
  - (e) that all conditions precedent provided for in such Mortgage related to such release have been complied with;
- (iii) If any of the land is to be released, a survey describing and showing the land, after giving effect to such release;
- (iv) If, in connection with such release, the Hospital will convey any of the Mortgaged Property or rights therein to another Person:
  - (a) a certificate of the Hospital stating or setting forth in substance that the aggregate Book Value of the Mortgaged Property or rights therein to be released pursuant to this subparagraph (i) in the current Fiscal Year does not exceed 20% of the aggregate Book Value of all Property of the Obligated Group as reflected on the financial statements of the Obligated Group as of the beginning of such Fiscal Year;

(b) a certificate of the Hospital stating or setting forth in substance that immediately after the conveyance of the Mortgaged Property or rights therein to be released pursuant to this subparagraph (2), either: (A) the Debt Service Coverage Ratio for the most recent 12 consecutive calendar months for which audited financial statements are available preceding the proposed date of such release, assuming such release actually occurred at the beginning of such period, would not be less than 1.25; or (B) the Debt Service Coverage Ratio for each of the two Fiscal Years beginning immediately following the proposed date of such release is expected to be (i) greater than 1.25 or (ii) higher than it would have been had such transaction not been effected; provided, however, an Independent Consultant must confirm such certificate;

(c) A certificate of the Hospital stating or setting forth in substance that, in the Hospital's judgment, the Mortgaged Property or rights therein to be released have, or within the next succeeding 24 calendar months are reasonably expected to, become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary, and the release thereof will not impair the structural soundness, efficiency or economic value of the Mortgaged Property not so released; or

(d) A certificate of the Hospital stating or setting forth in substance that such conveyance is solely to any Obligated Issuer.

(v) An Opinion of Counsel, stating that the certificates, opinions and other instruments which have been or are therewith delivered to and deposited with the Master Trustee conform to the requirements of such Master Mortgage and that, upon the basis of such application, the Mortgaged Property or rights therein may be lawfully released from the lien of such Master Mortgage and that all conditions precedent provided for in such Mortgage relating to such release have been complied with.

In addition, the Master Trustee will release portions of the Mortgaged Property in order to provide for the completion of the Replacement Project as described in the Master Mortgage.

#### **Grant of Easements, Licenses, Etc.**

The Hospital may at any time or times grant to itself or others easements, licenses, rights-of-way and other rights or privileges in the nature of easements with respect to the Mortgaged Property subject to its Mortgage, free from the lien of such Mortgage, or the Hospital may release existing easements, licenses, rights-of-way and other rights or privileges with or without consideration, and the Master Trustee will execute and deliver any instrument necessary or appropriate to confirm and grant or release any such easement, license, right-of-way or privilege. However, prior to any such grant or release, there must be supplied to the Master Trustee a certificate of the Hospital to the effect that:

( ) such grant or release is not detrimental to the proper operation of the Mortgaged Property;



(lx) such grant or release will not impair the operating unity or the efficiency of the Mortgaged Property or materially and adversely affect the character thereof; and

(lxi) such grant or release will not materially and adversely affect the value of the Mortgaged Property.

### **Removal of Fixtures**

Any Borrower will not remove or permit the removal of any items of fixtures from the Mortgaged Property except as follows:

( ) In any instance where the Hospital in its sound discretion determines that any item of fixtures has become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary for the operation of such Mortgaged Property not so removed, the Hospital may, at its expense, remove and dispose of it and substitute and install other items of fixtures, furniture, machinery, equipment or other personal property, not necessarily having the same function, provided that such removal and substitution does not impair the operating utility of such Mortgaged Property. All substituted items will be installed free of all liens and encumbrances, other than Permitted Encumbrances, and will become a part of such Mortgaged Property as fixtures.

(lxii) Upon removal of items of fixtures of the type described in subparagraph (i) above, and provided the operating utility and unity of such Mortgaged Property is not impaired, the Hospital may decide not to make any substitution and installation of other items of fixtures, furniture, machinery, equipment or other personal property, provided that, if the Book Value of such fixtures not so replaced exceeds \$1,000,000, the Hospital furnishes to the Master Trustee: (A) a certificate of the Hospital stating or setting forth in substance that the aggregate Book Value of the fixtures not so replaced under this subparagraph (ii), together with the Book Value of such Mortgaged Property or rights therein released pursuant to subparagraph (iv)(a) under the caption "Release of Mortgaged Property," during the current Fiscal Year does not exceed 20% of the aggregate Book Value of all Property of the Obligated Group as reflected on the financial statements of the Obligated Group as of the beginning of such Fiscal Year; or (B) a certificate of the Hospital stating or setting forth in substance that, in the Hospital's judgment, the fixtures not so replaced under this subparagraph (ii) have, or within the next succeeding 24 calendar months are reasonably expected to, become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary, and the release thereof will not impair the structural soundness, efficiency or economic value of such Mortgaged Property not so released.

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## **APPENDIX D**

### **FORM OF BOND COUNSEL OPINION**

(Upon delivery of the Bonds in definitive form, Barnes & Thornburg LLP, Indianapolis, Indiana, bond counsel, proposes to render the following opinion in substantially the form set forth below.)

\_\_\_\_\_, 2005

Indiana Health and Educational  
Facility Financing Authority  
Indianapolis, Indiana

Re: Indiana Health and Educational Facility Financing Authority  
Adjustable Rate Hospital Revenue Bonds, Series 2005  
(Harrison County Hospital Project)

Ladies and Gentlemen:

We have acted as bond counsel to The Board of Trustees of Harrison County Hospital (the "Borrower"), in connection with the issuance by the Indiana Health and Educational Facility Financing Authority (the "Issuer") of \$30,000,000 aggregate principal amount of its Adjustable Rate Hospital Revenue Bonds, Series 2005 (Harrison County Hospital Project), dated the date hereof (the "Bonds"), pursuant to Indiana Code Section 5-1-16-1, et seq., an Indenture of Trust and Pledge, between the Issuer and J.P. Morgan Trust Company, National Association, as trustee, dated as of November 1, 2005 (the "Indenture"), and a Loan Agreement between the Issuer and the Borrower, dated as of November 1, 2005 (the "Loan Agreement"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on representations of the Issuer and the Borrower contained in the Indenture and the Loan Agreement, the certified proceedings and other certifications of public officials furnished to us, and certifications, representations and other information furnished to us by or on behalf of the Issuer, the Borrower, and others, including without limitation certifications contained in the tax and arbitrage certificate of the Issuer and the Borrower dated the date hereof, without undertaking to verify the same by independent investigation. We have relied upon the legal opinion of the Office of the Attorney General of the State of Indiana, Indianapolis, Indiana, dated the date hereof and the legal opinion of Hall, Render, Killian, Heath & Lyman, PSC, Indianapolis, Indiana, counsel to the Borrower, dated the date hereof, as to the matters stated therein.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been duly authorized, executed and delivered by the Issuer, and are valid and binding special and limited obligations of the Issuer, enforceable against the Issuer

in accordance with their terms. The Bonds are payable solely from the Trust Estate (as defined in the Indenture).

2. The Indenture has been duly authorized, executed and delivered by the Issuer, and is a valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms.

3. Under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on this date (the "Code"), interest on the Bonds is excludable from gross income for federal income tax purposes. The opinion set forth in this paragraph is subject to the condition that the Issuer and the Borrower comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer and the Borrower have covenanted or represented that they will comply with such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding the effect on the excludability of the interest on the Bonds from gross income for federal income tax purposes of a change in the Interest Mode (as defined in the Indenture) of the Bonds or the delivery of an alternate Liquidity Facility (as defined in the Indenture) or alternate Credit Facility (as defined in the Indenture) to the Trustee.

4. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

5. Interest on the Bonds is exempt from income taxation in the State of Indiana (the "State") for all purposes except the State financial institutions tax.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement, dated November 7, 2005, or any other offering material relating to the Bonds.

We express no opinion regarding any tax consequences arising with respect to the Bonds, other than as expressly set forth herein.

With respect to the enforceability of any document or instrument, this opinion is subject to the qualifications that: (i) enforceability of such document or instrument may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium, fraudulent conveyance and similar laws relating to or affecting the enforcement of creditors' rights; (ii) the enforceability of equitable rights and remedies provided for in such document or instrument is subject to judicial discretion, and the enforceability of such document or instrument may be limited by general principles of equity; (iii) the enforceability of such document or instrument may be limited by public policy; and (iv) certain remedial, waiver and other provisions of such document or instrument may be unenforceable, provided, however, that in our opinion the unenforceability

of those provisions would not, subject to the other qualifications set forth herein, affect the validity of such document or instrument or prevent the practical realization of the benefits thereof.

This opinion is given only as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,